

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

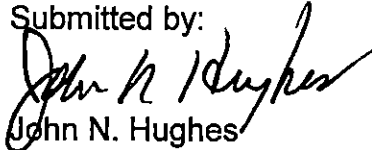
In the Matter of:

PETITION OF MOUNTAIN WATER)
DISTRICT FOR MODIFICATION OF)
ORDER OF CASE 2014-00324)

Case No. 2016-00062

**MOUNTAIN WATER DISTRICT'S REPLY TO
ATTORNEY GENERAL'S FIRST DATA REQUEST**

Submitted by:



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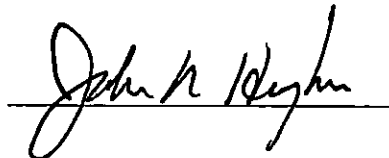
and

Daniel P. Stratton Stratton Law Firm, PSC
Post Office Box 1530
Pikeville, Kentucky 41502
Telephone: (606) 437-7800
Facsimile: (606) 437-7569
dan@strattonlaw.net

Attorneys for Mountain Water District

Certification:

I certify that a copy of these responses has been mailed to the Attorney General's Office of Rate Intervention by first class mail, 1024 Capital Center Dr, Frankfort, KY 40601 on the 7th day of March, 2016.



AFFIDAVIT


COMMONWEALTH OF KENTUCKY

COUNTY OF FLOYD

Affiant, Michael Spears, CPA appearing personally before me a notary public for and of the Commonwealth of Kentucky and after being first sworn, deposes, states, acknowledges, affirms and declares that he is authorized to submit this Response on behalf of Mountain Water District and that the information contained in the Response is true and accurate to the best of his knowledge, information and belief, after a reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.


Michael Spears, CPA

This instrument was produced, signed, acknowledged and declared by Michael Spears to be his act and deed the ____ day of February, 2016.


Notary Public
Registration Number: 494201

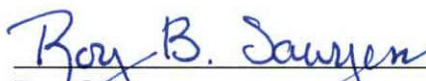
My Commission expires: July 29, 2017

AFFIDAVIT

COMMONWEALTH OF KENTUCKY

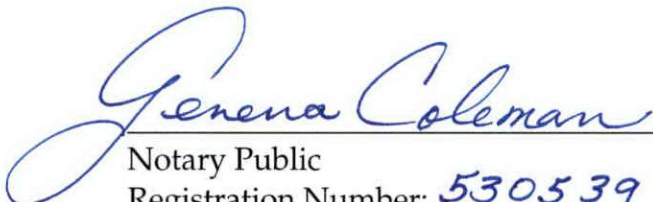
COUNTY OF PIKE

Affiant, Roy Sawyers, appearing personally before me a notary public for and of the Commonwealth of Kentucky and after being first sworn, deposes, states, acknowledges, affirms and declares that he is District Administrator, that he is authorized to submit this Response on behalf of Mountain Water District, and that the information contained in the Response is true and accurate to the best of his knowledge, information and belief, after a reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.



Roy Sawyers

This instrument was produced, signed, acknowledged and declared by Roy Sawyers to be his act and deed the ____ day of February, 2016.



Notary Public
Registration Number: 530539

My Commission expires: 4-26-19

Case No. 2016-00062
MWD Responses to Attorney General's
Initial Data Request

1. Reference Mountain Water District's ("Mountain Water" or "District") Petition for Modification of Order in Case No. 2014-00342 (Petition for Modification) generally. Provide all tables and exhibits referenced in or supporting the Petition in their native electronic format (i.e. Microsoft Word, Microsoft Excel), with data including formulae in all cells and rows intact and fully accessible.

WITNESS: SPEARS

RESPONSE:

SEE ATTACHED

Mountain Water District
Projected Cost Comparison of Assuming Operations of the District
June 30,2014

Mou
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Assur
June :

	UMG Direct Expenses	MWD Additional	MWD Projected Cost	Numb
Payroll and Administrative Expenses				
Salary and Wages				1
Regular Pay	\$ 1,609,414		\$ 1,609,414	
Overtime	85,925		85,925	
Paid leave	222,271		222,271	2
HR, Safety, AP Clerk	-	34,869 (1)	34,869	
Total Salaries and Wages	\$ 1,917,610		\$ 1,952,479	
Payroll Taxes				3
Fica	141,479	2,667 (2)	144,146	
Futa	6,993	144 (2)	7,137	4
Suta	17,837	324 (2)	18,161	
Total Payroll Taxes	166,309		169,445	5
Health Insurance Expense	375,656	9,600 (3)	385,256	
Life Insurance Expense	7,462	136 (4)	7,598	6
Long Term Disability	6,715	122 (5)	6,837	
State Retirement System	54,522	310,201 (6)	364,723	7
Training Expense	5,505		5,505	
Travel				8
Lodging	4,931		4,931	
Meals	5,245		5,245	
Mileage	855		855	
Total Travel	11,031		11,031	
Vehicle Expenses				
Lease Expense	69,306	(69,306) (8)	-	
Gasoline	174,962		174,962	
Diesel	36,469		36,469	
Miscellaneous	2,057		2,057	
Total Vehicle Expense	282,794		213,488	
Office Storage Rental	1,090		1,090	
Office Equipment Lease	7,253		7,253	
Office Supplies	31,930		31,930	
Janatorial Expense	20,092		20,092	
Postage	111,210		111,210	
Professional Fees accounting	749		749	
Professional Fees Other	47,941		47,941	
Insurance				
General Liability	149,073		149,073	
Auto	15,417		15,417	
Workers Compensation	35,706		35,706	
Total Insurance Expense	200,196		200,196	
Telephone				
Office	11,736		11,736	
Mobile	13,848		13,848	
Other	1,910		1,910	
Total Telephone	27,494		27,494	
Security Service	459		459	
	\$ 3,276,018	288,758	\$ 3,564,776	
Direct Operations				
Uniforms	26,497		26,497	
Safety Supplies	16,274		16,274	
Laboratory Supplies	2,979		2,979	

Laboratory Testing	37,171		37,171
Other Outside Services	2,400		2,400
Carbon	802		802
Disinfectants	54,950		54,950
Fluoride	17,909		17,909
Polymers	8,313		8,313
Dechlorination Agents	13,841		13,841
Nitonox	11,270		11,270
Other Chemicals	62,977		62,977
Purchased Water	1,114,659		1,114,659
Electricity	1,162,650		1,162,650
Sewage Fees	163,514		163,514
Solid Waste	<u>6,805</u>		<u>6,805</u>
	2,703,011	-	2,703,011
Repair and Maintenance			
Repair and Maintenance	758,439		758,439
Hand Tools	<u>13,316</u>		<u>13,316</u>
	771,755	-	771,755
Cash Expenditures for note payments.			
Note payments for existing vehicles curenly paid by UMG.		69,306 (8)	69,306
Note payments for 5 additional vehicles		<u>30,000 (7)</u>	<u>30,000</u>
		99,306	<u>99,306</u>
	<u>\$ 6,750,784</u>	<u>388,064</u>	<u>\$ 7,138,848</u>
Amount Paid to UMG			<u>7,600,837</u>
Projected Saving by Operating the District Internally			<u>\$ 461,989</u>

Mountain Water District

Projected Cost Comparison of Assuming Operations of the District

Options

30,2014

er

The district will require 1 additional employee included in UMG's Corporate Overhead Number
Propose the addition of an A/P Clerk at \$34,869

The additional Fica is calculated at 7.65% of the Salary, FUTA at .006 of \$8,00 per Employee and SUTA at prorata to UMG's cost related to total payroll

Cost estimated at \$800 per new employee multiplied by 12 months.

Pro rata UMG's number to their total payroll, adjusted for the 1 new employees

Pro rata UMG's number to their total payroll, adjusted for the 1 new employees

Total payroll of \$1,952,479 multiplied by the current KERS Retirement percentage of 18.68% less the UMG costs of \$54,522.

UMG currently uses 7 trucks of theirs on our project, we will only replace 5 of those. Estimated at \$500 per month by the five new trucks.

UMG pays for notes that are in MWD's name for vehicles used on our project. We would not have this expense without the contract with UMG. We would however have to make the payments on those notes.

Case No. 2016-00062
MWD Responses to Attorney General's
Initial Data Request

2. Reference Mountain Water's Petition for Modification generally. Please provide all relevant and supporting worksheets in electronic format with data including formulae in all cells and rows intact and fully accessible.

WITNESS: SPEARS

RESPONSE:

SEE ATTACHED

3. Reference Mountain Water's Petition for Modification generally. Provide full and complete copies of the Board of Commissioner's meeting minutes from every regular or special meeting that occurred from January 1, 2015 to the present. Include all documents, materials, presentations, etc. that were distributed or presented at the meetings.

WITNESS: SAWYERS

RESPONSE: Minutes from January 1, 2015 to October 16, 2015 are attached. Minutes from October 16, 2015 to present are included in PSC response 1.

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

January 28, 2015
10:00 AM

ATTENDEES

Bobby Varney, Magistrate, District 6
Chris Anderson, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Cliff Latta, Vaughn & Melton
Jamie Noe, Vaughn & Melton
Stephen Caudill, Bell Engineering
Megan Kendall, Bell Engineering
Tim Campoy, EDC, Inc.
Mike Spears, Spears Management
Dan Stratton, Stratton Law Firm
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, January 28th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Lester "John" Collins
Commissioner Kelsey Friend, III
Commissioner Prentis Adkins

Vice Chairperson Lester John Collins conducted the meeting.
Commissioner Ancie Casey was not present for this meeting.

VISITORS AGENDA ITEM II

Vice Chairperson Collins inquired if there were any visitors for today's meeting. There were none.

APPROVAL OF MINUTES AGENDA ITEM III

Vice Chairperson Collins requested a motion to approve the minutes of the special meeting held on December 30th, 2014. Commissioner Friend made the motion to approve the minutes as presented. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-001

Vice Chairperson Collins stated that in the absence of Commissioner Casey at the December 30th, 2014 special meeting, we need to do a resolution to retro-actively appoint Commissioner Adkins as Acting Secretary for that meeting. He requested a motion to that effect. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-002

Ms. Olson stated that we need a resolution to appoint Commissioner Adkins as the Acting Secretary for today's meeting as well since Commissioner Casey is absent. Vice Chairperson Collins requested a motion to appoint Commissioner Adkins as Acting Secretary for today's meeting. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-003

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears stated that for the month of December, cash in bank was \$417,415 which is a little higher than previous but is due to the timing of the UMG payment. The accounts payable is up to \$1,030,924. Accounts receivable was \$832,813. Plant in place was \$137,990,370. Equity position is \$79,719,139. Part of the reason the payables are up too is that we have decided to buy that equipment on a discount and he will talk about that during the repair and maintenance section. Revenues for the month were \$698,095 and we are in lean months right now, and year to date is \$8,916,846. Utility Operating Expenses were \$948,187 and year to date is \$11,205,865 with a loss for the month of \$281,479 and year to date is \$2,666,943. Included in the loss is depreciation of \$271,779 and we have actually lost more than our depreciation was and that is leaving us no money, basically to operate. For the year, depreciation expense is \$3,261,352. The current operating income is negative in the amount of \$250,091 and cash decreased for the month in the amount of \$19,295. The current operating account balance is \$127,611 as of the end of December. We have made the appropriate transfers to KIA and RD. Current balances are \$684,727 in one and \$698,883 which is a total of \$1,374,000 which is probably \$200,000 higher than what we have ever had in those accounts. That is one area the Board has done an excellent job in getting those funds reestablished. We have made the transfers to sinking fund for debt service as well. R & M expenses were \$80,346, and of that number there is \$59,000 in parts that the Board approved to order. There is \$21,000 other than those parts. Those parts, we had to order in quarters so, January and February we should be utilizing those parts and that number ought to come back to us. If the Board will remember, Wascon told us that if we ordered those, they would give us a 30% discount on those parts. That is part of the AP issue as well. That concludes the financial report. Vice Chairperson Collins requested a motion to approve the financial report as presented. Commissioner Adkins made the motion to approve the financial report as submitted. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye

Commissioner Casey
Commissioner Adkins

Absent
Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-004

Mr. Spears continued by stating that if the Board would remember from a couple of months ago, they had approved to order that high service pump from the Water Treatment Plant. It has been ordered but it is going to come in and they are going to have that payment, and they have the aqua aerobics decanters on the second sheet of the handout in the amount of \$17,961.63. We have three accounts that are old cash accounts that the projects are closed. We have \$89,000 into there and the money has already been expended, the projects are closed out and he would like to transfer that money over to the general fund to cover at least those two items. Vice Chairperson Collins inquired where that money is coming from. Mr. Spears reiterated that it was monies that was in old accounts that was designated for other old projects, Shelby Valley or Phelps, but what happens is that in the early years, we would get money from lines of credit and they put in there and then it gets drawn down, and then the lines of credit get completed and that money is just left in there. Everything was closed and all of the grant money was accounted for and everything is fine. We put that line of credit on a five year note and paid it back and was a line that had been used for several projects over the years, but that money is setting in those accounts and he would like to transfer that since those projects are complete and over with. Commissioner Adkins clarified that the District paid those loans off and the money just laid there. Mr. Spears affirmed that as correct. After further discussion, Vice Chairperson Collins requested a motion to transfer that money from those accounts to the general fund (operating account). Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-005

Mr. Spears stated that there is still money that was revealed during the last audit in the customer deposit account that is more than we actually owe that we could look and see what we have in there and see if we can use any of that. He also stated that he brought up last month and would like the Board to consider, since we have this rate case going on and there are so many parties involved and is quite expensive, that instead of pulling that money out of the general fund to pay those costs which is making it hard for us to pay our regular bills, that once the rate case is done, it will be amortized over a three year period is what is projected. He would like for the Board to consider a line of credit until the rate case is done and then turn that into a term note rather than draining our cash flow right now. The responses are quite extensive and the costs are considerable. Vice Chairperson Collins inquired if the PSC has to approve this line of credit. Mr. Spears stated that the PSC has to approve anything that is over a two year term. Mr. Stratton checked into that. A line of credit is deemed at the end of the term. If we get a one year line of credit it would be due at the end of one year and then we would have to convert it to a term note over a two year period or go to the PSC and ask them to let us extend it. Vice Chairperson Collins stated that he believes that if it is over a certain amount you have to get PSC approval. Mr. Spears stated that we will get Mr. Stratton to check it but he would like to do a line of credit for \$100,000 to \$125,000 to help with the cost of the rate case. Instead of having to pull money out of the operating account to get that done, it would come out of the line of credit and help us at least get back on track with our regular operating bills. The cost of the rate study is an allowable expense for the PSC to consider during rate cases and Kevin, when he prepared it, amortized it over three years and put it in the rate study and it will be an approved expense that they will allow us to amortize under the rate structure over a three year period. Vice Chairperson Collins inquired where we would get this from. Mr. Spears stated that they would send out letters to the banks and see if they would entertain it and what rates they would give us.

Community Trust Bank rates have been 4 to 5 percent. Mr. Sawyers stated that he believed the best rate so far is from US Bank and that is two something. Some of them don't want to do water districts, he has run into that before. Someone mentioned RD funding. Mr. Stratton stated that RD loan funding is a much more cumbersome process. Mr. Sawyers stated that it would take several months if you went through RD. Mr. Spears stated that he wasn't sure RD would do it. They only do capital projects. Mr. Sawyers stated that he didn't think RD could beat their rates either. Mr. Spears stated that he would at least like to get approved to look into it and see what kind of quotes they get in. Vice Chairperson Collins stated that he didn't want to open an open line of credit. Mr. Spears stated that we would have a fixed dollar amount for each, whatever we what to do. After further discussion, Vice Chairperson Collins requested a motion to approve Mr. Spears to get the line of credit to pay costs incurred during the rate case subject to the lowest rates quoted. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-006

Mr. Sawyers stated that we have talked about this before. The Russell Fork Water Treatment Plant lagoons are full at capacity and we have had an issue with Division of Water with regard to high chlorine residuals. That means that they need to be dipped, cleaned out and everything removed. There is a quote from Metropolitan Environmental Services that is extremely high. It was flooded before in 2010 and then it was \$175,000 to get that done. It will cost more this time because Pike County Solid Waste has included a fee for the landfill to haul it there. Right now it looks like it will take \$200,000 to \$300,000 to do this project. Mr. Potter stated that they have discussed this in the operations meeting and there may be some other options where you might be able to approach the City of Pikeville about where they dispose of their sludge and may be able to work an agreement with them. We may just have to see about that. Vice Chairperson Collins inquired if it could be done in-house. Mr. Sawyers stated that he has proposed that before. Mr. Potter stated that he doesn't have the personnel to dedicate to it on a daily basis. Mr. Sawyers stated that what he would like to do is rent a long boom from Whyne Supply or Brandeis. He got quotes on those and just to get someone to run it for us. They would have to hire whoever drove the trucks to come in and haul it off. That was his proposal instead of just bidding it out and doing it in general. If done that way, it will be quite a bit higher on pricing and he thinks we can rent the equipment and do it ourselves. Mr. Potter has said he might could clear up one man, as far as that part goes, if not, we can get someone to run it for us. Mr. Stratton stated that he agrees with Mr. Sawyers in concept, but if we are hiring someone to run the excavator and it is less than \$20,000, then that is fine. But if we are hiring someone to haul trucks, then we will need to bid the truck hauling out. Vice Chairperson Collins stated that we have to do something fast.

Mr. Sawyers stated that if you go on down the list, the clear well needs high pressure washed. The high service pit needs improvements. The inline static mixer needs replaced. David Taylor has fought and fought with this thing to try to make it work. We have multiple turbidity meters that need to be replaced. The inline strainer is another \$27,000 and the high service pump enclosure is on the list as well due to noise complaints from the residents. The plan is to install the high service pump and see if that addresses the noise issue, and if not, we can look at the barrier enclosure later and add it on then. Mr. Spears stated there is \$14,000 roughly left over from the other transferred funds and the Board might want to authorize Mr. Sawyers to utilize the difference and take care of some of these other items as necessitated. Mr. Stratton stated that before the Board authorizes anything further, there is another issue the Board needs to consider with regard to the Southern Corrosion contract. Mr. Spears stated that he just wanted them to be aware of these things that the Board is faced with and have the potential for violations and issues with the system. Vice Chairperson Collins stated that he was going to ask what the highest priority items were, but they all look pretty high to him. Mr. Sawyers stated that number one would be to dip the lagoons first.

Number five is a compliance issue also. Commissioner Adkins clarified that it cost \$175,000 the last time to clean out the lagoons. Mr. Potter confirmed that as a correct. Commissioner Adkins clarified that the contractor also sub-contracted it out. Mr. Potter stated that he thinks he did part of the hauling sub-contracted. Commissioner Adkins stated that he believed he did sub-contract it out and he believes we could get it done in house and it would be better. Mr. Sawyers stated that the only thing different this time is that before they had an approved site to haul the material to and this time they don't. Taking it to the land fill will be an added cost there. Commissioner Adkins inquired who let them dump it last time. Mr. Potter stated that it was Pikeville. Mr. Sawyers stated that they had a fill area at that time. Mr. Potter stated that he didn't know what kind of arrangement they had and he doesn't know what their deal was but we could approach them and talk to them about it.

Vice Chairperson Collins inquired if they had already ordered the decanter for the Phelps Freeburn WWTP. Mr. Sawyers confirmed that it has been ordered and is covered under the money that they approved to transfer the money from the old accounts earlier in the meeting. Vice Chairperson Collins inquired what the other items were. Mr. Potter stated that the grinder pumps are for the e-ones, and the high service pump that has been ordered. Mr. Spears stated that they will have to look into how they are going to finance it because some of it is compliance issues. He inquired what Mr. Stratton had on Southern Corrosion. Mr. Stratton stated that it is slated to be brought up under the Manager's Report, but under our Southern Corrosion contract for the water tank maintenance and repair, we did an amendment in August of 2013 to extend the contract for 18 months thinking we were going to get our rate increase before then. Under the terms of that agreement, if we did not continue the contract, we would pay them \$162,000 as penalties under the original contract. He and Mr. Sawyers have spoken to Southern Corrosion and they have agreed to continue an extension of the contract under the same terms as this one was, but they want us to start one tank. Mr. Sawyers stated that they just want a measure of good faith from the District to allow them to at least do something, that way they know we are standing by our word with regards to the contract. Mr. Stratton stated that they have explained the financial condition of the District and the rate application and they are fine with all of that but they kind of want to see something moving forward and they will extend the contract for another 18 months. They talked about a tank that is next in line on the priority list or a tank that is proposed to have work done. This won't be additional money, it will just be a part of the contract pricing in the agreement. Mr. Spears stated that we have addressed that, we just need to have Mr. Sawyers to approach SRF to see what kind of rates we can get. Mr. Sawyers stated that he didn't know if they will approve things for replacement as opposed to upgrades. After further discussion of the dipping of the lagoons, Vice Chairperson Collins requested a motion to approve Southern Corrosion to work on the Town Mountain water storage tank and to authorize Mr. Sawyers to approach SRF for funding of the lagoons and to bring back a proposal to the Board at the next Board meeting. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-007

PAYMENT OF BILLS

AGENDA ITEM V

Mrs. Olson distributed copies of the AP report, the Cash in Bank report and the vendor payment list to the Commissioners. Vice Chairperson Collins requested a motion to approve the payment of bills as presented and reviewed in the finance meeting. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner John Collins	Aye

Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Absent
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-01-008

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

After review and discussion of the customer adjustments, and upon confirmation that the adjustments were done in accordance with District policy, Vice Chairperson Collins requested a motion to approve Customer Adjustments in the amount of three thousand, one hundred and ninety-five dollars and three cents (\$3,195.03) as presented. Commissioner Adkins made the motion to approve the adjustments as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Absent
Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Absent
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-01-009

CONSTRUCTION REPORT AGENDA ITEM VII

Update by Dan'l Hall, Vaughn & Melton
 Cliff Latta was in attendance for Mr. Hall and supplied the update.

1. Millard Curve Line Relocation –DOT Project

Mr. Latta stated that first of all he would like to introduce Jamie Noe with Vaughn & Melton. She has recently transferred to their office and worked for Bell Engineering briefly. The Millard Curve has still not had much set on it. Accurate construction cost should be set by the next meeting.

2. Majestic Alternative Sewer Project

Mr. Latta stated that they are still in conversations regarding the tank site. The primary site is still open and hopefully there will be some progress on that by the next meeting.

Update by Tim Campoy, Environmental Design Consultants

1. Cabin Knoll/Scott Fork DOT Relocation Project -

Mr. Campoy stated that the highway department held a preconstruction conference on January 23rd and he was there, along with Mr. Sawyers, Mr. Potter and the contractors. They have subbed

out the water line relocation. What they have told us they are going to do is begin working first at the Scott Fork bridge while they do the water line work at Cabin Knoll. They anticipate to begin the work at Cabin Knoll by mid February. They should have shop drawings on it by Friday of this week so we can get it turned around quickly so they can start.

KY 610 – Virgie Bridge DOT Relocation Project -

Mr. Campoy stated that they have done a couple of different conversations with the highway department on this project and they had a meeting also on the 23rd and they have sent the engineering and construction estimates to Frankfort. They are waiting on Frankfort to approve that and once they get the approval they can go ahead with it. They are wanting to try to do that work in the summer.

Update by Stephen Caudill, Bell Engineering

1. Deskins Curve Line Relocation

Mr. Caudill stated the plans are complete and the coal company they are acquiring the tank site from is still reviewing the plans and project descriptions. They got word yesterday that they are good with everything and are ready for the transfer. He will be forwarding that information on to Dan Stratton, Legal Counsel, probably tomorrow, and they'll be ready to sign the deed so we can do the property transfer. They still need signatures for a couple of easements from property owners. As soon as they get that, that will have all the easements on the line portion and they should be ready to go to bid.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. Awarded Projects:

- Douglas WWTP Upgrade Project – Mr. Hunt stated that he has had a conversation with Adam Scott with KIA concerning the funding for this project. They are anticipating having a March meeting where they will vote on the approval of this funding for the project. There is a list of conditions that will go along with that approval, and once those conditions are met then we can start drawing down the money for this project. There are still some minor hoops we have to jump through. He stated that Mr. Scott did say that he went down and discussed the project with some of the financial folks in his office and they are currently putting together a request that will be sent to Mountain Water District for some additional information that they need to move the process along. Hopefully that will come in next week and will be finalizing that pretty soon. Mr. Sawyers stated that the meeting they are having in March, he has already been told it will be unanimous, that we will have the funding approved. Mr. Hunt stated that with regard to the equipment selection, he said he did not have a problem with us going ahead and doing that, but we just need to follow their guidelines. Mr. Hunt asked him if we advertised it in the month of February if that would be okay. Mr. Scott told him that he was not opposed to that, but we needed to make sure that we ran everything through them and that all conditions were met. Mr. Sawyers inquired if he was going to run his ad through them for them to approve. Mr. Hunt stated that he was anticipating that being done.
- Phelps/Freeburn WWTP Upgrades & Rehabilitation Project – Mr. Hunt stated that the contractor has been working on the installation of the press and screen. The press is hooked up inside the building and they just need to run a couple of lines to that. We went out a couple of weeks ago with Mr. Sawyers and Mr. Potter and everything is progressing pretty well on this project. The chemical storage building is complete. They are working on the internal plumbing and the tanks, installing those. The contractor is currently

working on the conduit for all of the electrical that needs to be ran to all of the pieces of equipment that are installed. The screen is in on top of the building now also.

- Belfry/Pond Sewer Project Update – Mr. Hunt stated that this project is in the funding process. We have also asked for SRF monies for this project and so Mr. Scott and he discussed it briefly and we are basically in the same situation that we are with the Douglas project; however, on the Belfry Project, since it is so large, there are additional funds that are in there also. Big Sandy ADD is handling the funding for this project he discussed with Denise Thomas at the last fiscal court meeting and they are currently doing their environmental assessment report for the Rural Development and she anticipating that being done sometime around the end of February. Once that is submitted to RD, then RD will come back with questions and we can jump to the next phase. Mr. Stratton stated that we still don't have the deed from the Pike County School Board yet, but it has been submitted to them and is in the process.
- FEMA BPS Mitigation Project – Mr. Hunt stated that they have completed the preliminary design of this project. They have received the revised pump station drawings from USEMCO and have reviewed those internally and made some brief modifications and they sent them back to us and Mr. Sawyers and Mr. Potter have those in house and he doesn't think there are any major changes on that. We anticipate wrapping that design up in February and submitting to the DOW and going to bid after receiving their approval.
- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that this project is in construction. The contractor has completed 95% of the main line at Marshall's Branch and has moved over the Chimney Branch to do the main line there. There is a pump station on each of those branches and there is a little bit of line that has to be done once the pump stations come in. He just received the submittals for those pump stations from the manufacturer and they are in the process of reviewing those and the contractor is going to move on Little Road or Burke Tackett Road next. He stated that all of these line extensions are in Magistrate "Chick" Johnson's area.

Mr. Sawyers stated that they still have the survey list of all those that they surveyed before the project. He needs that list and contact numbers because he will probably have to call these people and do sign ups. Mr. Hunt stated that he will provide it for him.

2. Rate Review

- Mr. Stratton stated that we have received supplemental questions from the Public Service Commission and from the Attorney General's office, who has intervened in the case which is their normal practice. Those are due on February 2nd and we are in the process of compiling the answers to that and are hopeful we will have that submitted on time. There may be a second round of questions after this as well.

PROJECT DRAWS:

Mr. Spears stated that he had an invoice that needed to be added to the draws for 50% of the administration fee on the Phelps/Freeburn WWTP Upgrade project and it is not Ms. Olson's fault that it wasn't on here because he didn't get the draw until late on Monday to add it on. Vice Chairperson Collins requested a motion to pay the draws as corrected contingent upon funding agency approval. Commissioner Friend made the motion. Commissioner Adkins seconded the motion.

FEMA BPS RELOCATION

Summit Engineering	FEMA Funds	\$ 18,354.00
\$18,354.00	Engineering Services	

PHELPS FREEBURN WWTP UPGRADE PROJECT

H2O Construction	Coal Severance Funds	\$ 120,434.40
\$120,434.40	Contract Construction	
Summit Engineering	Coal Severance Funds	\$ 18,291.50
\$18,291.50	Engineering Services	
EDC, Inc.	Coal Severance Funds	\$ 5,000.00
\$5,000.00	Administration of Project	

MAGISTERIAL DISTRICT #2 VARIOUS WATER LINE EXTENSION PROJECT

Summit Engineering	Coal Severance Funds	\$ 8,563.44
\$8,563.44	Engineering Services	
US Rentals & Construction	Coal Severance Funds	\$ 93,456.00
\$93,456.00	Contract Construction	

Commissioner voting as follows:

Chairperson Rhonda James	Absent
Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Absent
Commissioner Prentis Adkins	Aye

Upon Commissioner voting the motion was carried and passed.
Resolution No. 15-01-010

Commissioner Adkins stated that what people don't understand on the finances right now is the power bills and how much of a lick we have taken on the power which has more than doubled. People don't look at that and it is just unbelievable. Vice Chairperson Collins stated that everything else is that way, too. Every time he gets a TV bill it goes up as well.

MANAGER / ADMINISTRATOR REPORT

Mr. Potter stated that he wanted to address some of the items from the last Board meeting that the Board wanted him to look in to. The telemetry is aging and they no longer replace or repair the existing system and a new one is needed. He put in the capital assets and capital items lists a replacement program for them, just like we talked about for the grinder units, and it will get us up to date with more boards.

The end of the year inventory has been completed and a copy has been presented to Mr. Sawyers and Mrs. Hatfield and is available to the Board if they wish to view it.

The consumable quotes we gather each year for consumable parts has been handed out to our vendors. Those are coming back and he will give Mr. Sawyers a copy of the quotes when they are all in, just to verify that we notified the appropriate vendors and are purchasing parts at the best prices depending on the quantity and quality that is available.

Mr. Lowe has looked in to the pay by check issue. He inquired if they had gotten back with him yet. Mr. Lowe stated that they have not gotten back with him as of yet.

Mr. Potter stated that he worked with Mrs. Hatfield to submit the long term debt bonds that were still out there to see if there was anything that could save some money and she hasn't received any information yet from KRWA on those issues.

- **2015 Capital Items List – MWD & UMG** – Mr. Potter stated that Ms. Olson was handing out two sheets, one with MWD on it and one with UMG. These are the items that are submitted each year that he requires in the field and office. Some of the items UMG will purchase and some MWD will purchase. He has spoken to UMG about the items that he wants to purchase for the District. We need to get at least one supervisor's truck this year. The mileage is high on one we have. We also have a utility truck that has around 230,000+ miles on it that needs replacement. We are looking into purchasing another ultra-sonic flow meter. We use those daily in the field and he has asked them to look at it when we needed them. MWD purchased one years ago and he purchased one. These are the same as everything we talk about; they are used on a daily basis, they wear out and the technology changes and they are no longer serviceable or whatever. He may get another metal detector and there is at least one more computer he needs to replace in the office on the UMG list. There are stipulations in the contract for if something fails during the time frame, that we can get through mutual consensus. The items on the capital items list for MWD are wastewater portable fill sampling equipment. There has been a change with DOW and EPA that all field sampling, which we do some of it in the field, they have to have certain meters that performs certain testing with certain calibration factors. We need two of those and it will be a new purchase for Mountain Water District. He needs those to remain in compliance this coming year. The District has purchased the jetter that we needed and some other items. The crane truck as well. Both of those have been used extensively since we got them and he applauds the District for purchasing those. We still need a sewer camera for checking the wastewater lines and there are requirements by the DOW that you do a certain amount of the length of your wastewater system each year. We have not had the capability of doing that here. An ultra-sonic flow meter and a vehicle scanner is needed. The scanner that we use to keep the District's vehicles up to date was originally purchased by the District, pre-UMG, and has gotten to the point that it needs some repairs done on it. He looked into getting the update and by the time you repair it and get the update to the newer vehicles it is going to be about \$2200 to \$2300. A new scanner with updates through 2014 costs \$2500. It needs to be purchased to take care of the vehicles the District has. In the office items, we need at least one more scanner for the office, and we are going to have to have some more legal size filing cabinets for the additional reporting and things that we have to keep on file here for the District. We need to be able to hang the additional mapping we have and need the hangers for that. The Board does not need to make a determination on it now but he thinks before April a decision needs to be made.

- **2015 Water and Wastewater Capital Asset Plan** - Mr. Potter stated that he didn't want the Board to think we are the only District going through this. If the Board has read any of the industry standards, there is about a trillion dollars needed in the next 20 years to bring the nation's infrastructure into place. Ms. Olson handed out the water and wastewater capital asset plan that covers the next three and five year projections. Mr. Potter stated that these are the projections that the Board gets each year. These are items that are going to need replacement. He has reviewed the system and went over it with Mr. Sawyers, looking at the age, some of these WWTPs are 40+ years old and have not been replaced. He called their attention to the rehabilitation schedule on lift stations that is recommended as the District's operations person, and the replacement schedule on the grinder units that he recommended. If you go to the asset plan for booster pump stations; this is the five year replacement plan on those aging items. On the water storage tank list, he has also given them the PRV list, these numbers come from current construction pricing. There is a lot of line replacement that is needed throughout the system due to improper installation, aging infrastructure, etc. He is just making the Board aware that these are the recommendations he is making for the telemetry replacement also. There is also the memo that he gave the Board, just reminding the Board the other items that are out there that need to be taken care of in the immediate future. He can get with Mr. Sawyers and look for more funding and address compliance issues first and see what we can do and move forward from there. He knows that R & M is up at some points but there has not been a total replacement of items to date and he is just repairing older structures. He inquired if there were any questions on that. Mr. Stratton inquired if it would be appropriate to ask Mr. Sawyers and Mr. Potter to see if there are any grants or funding options out there that would allow them to start on some of this. Commissioner Adkins stated that was what his next question was also. Mr. Sawyers stated that one of the items that was left off that list is the radio read upgrades and we brought that to the Board's attention a few months back. Mr. Potter stated that it was on there as AMR and battery replacement. Vice Chairperson Collins inquired how old they were. Mr. Potter stated that they were installed in 2004. Vice Chairperson Collins stated that they were older than he thought, almost 11 years. Mr. Potter stated that money was never set aside for infrastructure replacement and this District grew from when he got here with 7,000 customers to where it is at now with 18,000 service connections. There was a tremendous push over the years and the money was not necessarily laid aside for this point in the future. Unfortunately, this Board and what we are dealing with is playing catch up at this point. It is a good system, it just needs to be taken care of. Commissioner Adkins inquired if we could get any funding for these projects. Mr. Potter stated that there may be some out there and he was going to look again. Commissioner Adkins inquired if they could look into it and let the Board know. Mr. Potter stated that there is supposed to be some bonding coming down next year and some other sources that he will look into. He tries to keep an eye out for anything the Board can utilize and they will keep looking.

Mr. Sawyers stated that he had an article that he wanted to read briefly through to the Board. It was in the Lexington Herald a couple of years ago. It is in reference to sewer overhaul for Lexington. He read the article to the Board regarding sewer rates to rise between 5% and 10% per year until it reaches a 137% increase in the next 10 to 12 years. Just giving them an idea of what it is going to take to overhaul someone's sewer infrastructure. It is not just hitting us, but is going to hit other communities as well. We are not as blessed as Lexington, who have gravity systems in a lot of places, and we have force main which is additional cost. He just wanted to give the Board a little better understanding of us getting hammered with sewer issues, we are not alone in that.

Mr. Potter stated that these are just some of the items that are coming up. Ms. Olson does most of the compliance and reporting and there are a lot of EPA regulations that are going to cost money to deal with in the future. As they continually tighten down regs, what we made ten years ago at the water plant will not be the regs that were in place in that time. They will be tightened down and each time they do it takes infrastructure and technology to replace it. They keep lowering the expectations and tell us to raise rates, do what you need to do, buy the new equipment and do it. It is a continuous cycle. By the time you get it replaced, they change it again and you have to comply with some new regulation.

- **Project Requirements for Engineers** – Mr. Sawyers stated that he has not had an opportunity to speak to Mr. Stratton about this yet, but we have a list of items that are required for the engineer to provide us at the end of a project and he has not been getting all of the information he needs from some of the engineers. He was wondering if we can legally hold out the last payment until all this is in place. That is his question on this. Mr. Stratton stated that he would review the standard contract and will get back with him on that. Mr. Sawyers stated that it may be something they need to implement into the new contract from this point on.

Vice Chairperson Collins requested a motion to approve the Manager's/Administrator's Report as presented. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-011

Mr. Potter stated that any time the Board members want to come by and talk about anything or go out in the field and look at the infrastructure, he will give them an in depth review. Mr. Spears stated that during this PSC rate filing, there has been a lot of attention paid to some of our older assets and some questions that we have had to provide responses for. Some are as old as 1985 and 1989 and were inherited during the consolidation of the District into Mountain Water District. You have a lot of old stuff, 45 year old stuff. Commissioner Adkins stated that there are good points to put this out there for the public. What is going on so they will know. Mr. Potter stated that there is a process to how the water comes out of the spigot and it is really a convenience that you turn it on and it comes out, but engineers and he can tell you that people don't realize that there are lines in the ground, regulations that go with it, electricity to move it, treat it with chemicals and it is a process.

NEW BUSINESS

1. Southern Corrosion Contract Amendment

Mr. Sawyers stated that this item was discussed earlier in the meeting and item #2 will be Mr. Stratton's to discuss.

2. UMG Contract Amendment (Correction)

Mr. Stratton stated that this is a technical amendment to the UMG contract that he did on January 14th and all they did was that the appendices of the prior contract had not been attached to the latest contract and they have done an amendment to attach the appendices of assets to the contract and agree that anything added since that time would be added to the list. This is just a technical item that came up when we submitted the agreements to the PSC and they didn't have the appendices attached. Vice Chairperson Collins requested a motion to amend the UMG contract to attach the appendices as presented by legal counsel. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution 15-01-012

3. Marshall's Branch KDOT Water Line Relocation

Mr. Sawyers stated that he has been contacted by the Department of Highways. They have a proposed project coming up at Marshall's Branch. It is not a very big project but they are going to redo a bridge so they have to relocate the utilities there. The Board needs to select an engineer for that project. The Board members may need to write their selection on a piece of paper and hand it to Mr. Stratton or how they want to do it, but they need to select an engineer for this project. All fees will be paid by the highway department and the engineer works up the cost of the project for them. After submitting their votes to Mr. Stratton, he stated that Bell Engineering had been selected to engineer the project. Vice Chairperson Collins requested a motion to select Bell Engineering as the engineer for the Marshall's Branch KDOT Relocation Project. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson James	Absent
Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-013

4. Legal Issues

Executive Session to Discuss Outstanding Litigation and Potential Litigation -

1. Williamson Wastewater Contract

Vice Chairperson Collins requested a motion to convene executive session to discuss outstanding and potential litigation as listed on the agenda. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Absent
Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Absent
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-01-014

Vice Chairperson Collins requested a motion to reconvene from executive session where outstanding and potential litigation was discussed as listed on the agenda. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Absent
Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Absent

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-01-015

COMMISSIONER COMMENTS

Vice Chairperson Collins stated that he wanted to introduce Bobby Varney to the Board who is in attendance today for the meeting. He is the newly elected Magistrate of District #6. Vice Chairperson Collins inquired how long he had served as a Board member. (He didn't mention of what organization) Mr. Varney stated he served for 15 years and 2 months to be exact. But he is now the Magistrate of District #6. It will be a tough job. Vice Chairperson Collins stated that he is sure he is up to the challenge.

Mr. Sawyers stated that we received Chairperson James' letter of resignation since the last meeting and he wanted to bring that to the attention of the Board. Commissioner Adkins made a motion to accept the resignation of Rhonda James from the Board of Commissioners of the Mountain Water District. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Absent
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-01-016

Commissioner Adkins stated that Magistrate Varney had a good idea there that he brought up about tanks. He was talking about putting something on them, like Hatfield and McCoy or selling advertisements and putting them where people can see them would be a good idea. Vice Chairperson Collins stated that it would be an excellent place to put a mural. Mr. Sawyers stated that Town Mountain tank would be one that would be seen. Mr. Potter stated that they could approach some entities about that. He knows that certain places you see like the horses in Lexington. Mr. Potter stated that if the Board doesn't have an issue with it, the town mountain tank, he thinks with the new distillery coming in, he could talk to Dr. Lyons and see if they would be interested in putting an advertisement on it. Down state a lot of people let tanks be used for cell towers and things like that. He took a class on how to negotiate for the rates charged for that. He will look into that for the next meeting.

Vice Chairperson Collins stated that coming out of executive session, they discussed the Williamson contract. Mr. Stratton stated that he is pleased to report that that matter has been successfully resolved on the terms under which they sought to have it resolved. The past due billing will also be corrected. They have agreed to use our flow meter for measurement and the past billing error is to be erased.

Commissioner Adkins stated that he would like to thank Magistrate Varney for being here to see what goes on here first hand. Mr. Varney stated, not to put down anything that has happened in the past or anything, but he went to the library board meeting and it tore them all to pieces. It was a night that they were raising the library tax and he just happened to be there and everybody was running around wondering "who is this guy" and "what is your name" and all this stuff. But anyway, he was told that most Magistrates don't come to these meetings. And he said "Well, I might be a Magistrate for one night or I might be for the next 50 years, I don't know, but you're going to find out that I am not like most Magistrates." He stated that he wants to know what is going on and he thinks the way to do that is here, and not wait until it's in some public meeting and we're on TV and somebody gets embarrassed; he would never do that intentionally. "If you slap me in the face, the first thing I am going to do is probably slap you back. The Lord is working on me with that, but I will try to get along with anybody and everybody." Mr. Sawyers stated that he has been here almost four years and he is the first magistrate that he has known to visit. Vice Chairperson Collins stated that he is the first one he has seen here in 12 years. Magistrate

Varney stated that they will see him again, if the good Lord is willing. Mr. Sawyers stated that they encourage Magistrates to visit. Vice Chairperson Collins stated that they need to know the workings of what goes on here. Magistrate Varney stated that he is not bashful and will ask questions. Mr. Potter stated that anytime he has a question, they are more than happy to help with that.

ADJOURN MEETING

Vice Chairperson Collins stated that if there were no further comments, he requested a motion be made to adjourn the meeting. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Absent
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-01-017

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

February 25, 2015
10:00 AM

ATTENDEES

Bobby Varney, Magistrate, District 6
Chris Anderson, Appalachian News Express
Lisa Daniels Estep, Pike County
Jody Hunt, Summit Engineering, Inc.
Cliff Latta, Vaughn & Melton
Jamie Noe, Vaughn & Melton
Stephen Caudill, Bell Engineering
Tim Campoy, EDC, Inc.
Mike Spears, Spears Management
Dan Stratton, Stratton Law Firm
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, February 25th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Commissioner Lester "John" Collins
Commissioner Kelsey Friend, III
Commissioner Prentis Adkins
Commissioner Ancie Casey

VISITORS AGENDA ITEM II

Vice Chairperson Collins inquired if there were any visitors for today's meeting. He recognized Magistrate Bobby Varney from District 6 and Lisa Daniels Estep from the Fiscal Court. He inquired if either of them had anything they wanted to comment about. Magistrate Varney stated that he hopes to be considered a regular and not a visitor and he was just in attendance to get information. Ms. Estep stated that they have been in contact with Mountain Water District through Grondall Potter, giving them updates and reports and they have been sharing information with the public as well. Magistrate Varney stated that on Tuesday he received 75 calls in District 6 and 68 of them were about water and they have some issues within the court that they are going to settle about communication during this emergency. Being a first time Magistrate they put him through the fire right off the bat. Vice Chairperson Collins stated that he believed that Grondall got a bit of that also. Mr. Sawyers stated that as update for his area, he just got off the phone with a representative from the City of Williamson and they will begin pumping in about 2 hours. Magistrate Varney stated that he lives at Turkey Creek and they have never lost water. Mr. Potter stated that in South Williamson we purchase from two locations. We purchase from master meter 1 which is across from Appalachian Plaza and purchase also from a master meter 2 down below the hospital across from Turkey Creek. They can gravity feed to both of our meters. One is larger than the other. The smaller meter they ignore on the Turkey Creek end and it gravity feeds all the time. We normally pump to them to provide better service for those in the higher elevations but with just the gravity feed, some may have low

pressure but still have water. They started gravity feeding at the number 1 connection late last night. We have built enough storage until this morning and we were able to start pumping Forest Hills and started getting water back that way. They have also been working to get Belfry back on and the Pond Creek area, but he can't extend that storage too far or he will drop the mall tank. Williamson is going to start pumping again and that will give us more water to work with and he has explained to Lisa Estep and Brian Morris the other day that there is a way, when Bent Mountain and Coeburn Mountain were reconfigured, that he can pump from both sides and bring water in from Williamson one way or Pikeville the other way. We have done pretty good through this area getting it reestablished and he will try later in the day to put water from West Road to Coeburn Mountain tank and use it to supplement the Williamson side. His push right now is up in the Robinson Creek area and Elkhorn Creek. When we get into the MOR section of the meeting he will explain more about the situation.

APPROVAL OF MINUTES

AGENDA ITEM III

Vice Chairperson Collins stated that he had a correction for page 14 of the minutes of the January meeting. He would like to amend that. He had said off the cuff he said it had been 12 years and actually it has been since April 3, 2009 since we have had a Magistrate here at the meeting and he wanted that cleared for the official record. Vice Chairperson Collins requested a motion to approve the minutes of the regular meeting held on January 28th, 2015 as corrected. Commissioner Adkins made the motion to approve the minutes as corrected. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution 15-02-001

FINANCIAL REPORT – MIKE SPEARS, CPA

AGENDA ITEM IV

Mr. Spears stated that he had a couple of other things to cover this morning aside from the financial report and he will get to those in a moment. For the month of January, cash in bank was \$333,900. Accounts receivable was \$890,929. Plant in place was \$138,250,729. Accounts payable at the end of the month was \$1,027,959. Equity position is \$79,719,993. Revenues for the month were \$729,367. Utility Operating Expenses were \$944,487 with a loss for the month of \$245,758. Included in the loss is depreciation of \$271,779. The current operating income is negative in the amount of \$215,120 and cash decreased for the month in the amount of \$83,515. The current operating account balance is \$47,034 as of the end of January. We have made the appropriate transfers to KIA and RD. We are at \$1,397,000 in our reserve accounts. We have made the transfers to sinking fund for debt service as well. R & M expenses were \$46,083.54. This is lean times and lean billing months. That concludes the financial report. Vice Chairperson Collins requested a motion to approve the financial report as presented. Commissioner Friend made the motion to approve the financial report as submitted. Commissioner Casey seconded the motion. Commissioner voting as follows:

Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution 15-02-002

Mr. Spears stated that at the Board meeting last month the Board had asked that he get some rates on a line of credit to cover the costs associated with the rate study because it was just eating our operating income up and we can amortize that into the rate study over a three year period, whatever it ends up being. We have gotten quotes from 4 banks and he distributed copies to the Board members. We sent it out to seven banks and we had four respond. We asked for a 9 month demand note and convert that to a 2 year term at the end of the 9 months. US Bank gave us a quote of 2% for the demand note and 2.5% for a two year term note at this time but could vary in 9 months. Citizens National quoted 2.99% for the 9 month and 2.99% for the two year term note but theirs is not a firm commitment. They wanted to review a finance package first. He doesn't see how they could select them without a firm commitment. Commissioner Casey inquired how much we were talking about here? Mr. Spears stated that it will be up to \$150,000 but only draw it down as the expenses come in. Commissioner Casey clarified that it will cost that much to do the rate study? Mr. Spears stated that is what Jack Hughes estimated. Mr. Stratton stated that to clarify, the rate study is what Kevin Howard did. The rate application and going through the PSC process is what is involved with this. Mr. Spears stated that Community Trust Bank quoted a 5% and 3.25% for a fixed at 5% up to 36 months for \$500 in fees. B B & T quoted 3.39% for the 9 month and the 2 year term with a blanket lien. Mr. Spears stated that since Commissioner Casey was out of town for the last meeting, what is going on is that we are paying these expenses out of our operating account right now as they come due. Some months are very little and some months are higher like last month when we had a 100 question response from the Attorney General and the PSC that we had to respond to. We will have another wave of that this month and then there is a hearing in April and a PSC hearing in May. We are so tight on funds right now; he just didn't want this to drain the operating account. With that in mind, Mr. Spears stated that he would recommend going with the US Bank rate. Most of our finances have been done through Community Trust Bank and they have been a very good partner with us through the years, but he thinks this US Bank quote is enough of a differential that he would recommend they go with the US Bank quote. Vice Chairperson Collins requested a motion to approve opening the line of credit with US Bank under the quoted terms. Commissioner Casey made the motion upon recommendation of the District's CPA. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-02-003

Mr. Spears stated that there is still money that is setting in some of these old accounts that the projects are complete and we would like to utilize and put over into the operating account. We are just trying to find every dime we can that is available. There are 10 to 15 accounts that have anywhere from \$44,000 to \$14,000 in these accounts and he would like to utilize those and we know we have some things coming up that needs done. After further discussion, Vice Chairperson Collins requested a motion to approve Mr. Spears to close out old project accounts and transfer that money to the operating account. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Collins	Aye
Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-02-004

Mr. Spears stated that his last item is that we have some money in the tap fee account that has accumulated over the years. We have already set the taps and we keep money in there to do taps for the

customers and we looked briefly at an annual...roughly \$30,000 or \$40,000 per year, and transferring some of that money to the operating fund would help. He will look into that more before the next meeting. He is not prepared to ask them to address that at this time.

PAYMENT OF BILLS **AGENDA ITEM V**

Mrs. Olson distributed copies of the AP report, the Cash in Bank report and the vendor payment list to the Commissioners. Vice Chairperson Collins requested a motion to approve the payment of bills as presented and reviewed in the finance meeting. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-005

CUSTOMER ADJUSTMENTS **AGENDA ITEM VI**

After review and discussion of the customer adjustments, and upon confirmation that the adjustments were done in accordance with District policy, Vice Chairperson Collins requested a motion to approve Customer Adjustments in the amount of two thousand, five hundred and seventy dollars and fifty cents (\$2,570.50) as presented. Commissioner Adkins made the motion to approve the adjustments as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-006

CONSTRUCTION REPORT **AGENDA ITEM VII**

Update by Dan'l Hall, Vaughn & Melton
Cliff Latta was in attendance for Mr. Hall and supplied the update.

1. Millard Curve Line Relocation –DOT Project

Mr. Latta stated that this project has been awarded and the Notice to Proceed has been issued. The pre-construction conference is anticipated to be held sometime next week.

2. Majestic Alternative Sewer Project

Mr. Latta stated that they have finalized the information request by Alma Land Company and by next week they should be able to get up with them and start the process that would allow them to actually work in the field on this project.

Update by Tim Campoy, Environmental Design Consultants

1. Cabin Knoll/Scott Fork DOT Relocation Project -

Mr. Campoy stated that this is a new bridge project at Meta. Bush and Burchett got that job and are subbing the water to G & W. Since the last meeting, G & W have been sending in shop drawings and they finally have them all now and reviewing them. They are tentatively looking at reviewing those with Mr. Sawyers and Mr. Potter if everything goes okay and then when the weather breaks, we should see some progress with this project.

2. KY 610 – Virgie Bridge DOT Relocation Project –

Mr. Campoy stated that this is also a new bridge project and relocation of both water and sewer lines. The highway department has approved the engineering estimates for engineering and construction and we received a contract from them...an agreement between the Water District and the Transportation Cabinet which he dropped off to the District's legal counsel yesterday. They have noted one change in the contract. They do not include the pavement replacement as one of the tasks to be completed in that and he would ask that legal counsel provides a resolution to that in the contract. Mr. Stratton stated that he approves of the contract with that addition. Vice Chairperson Collins requested a motion to approve the contract with the Transportation Cabinet for the Virgie Bridge DOT Relocation Project with the addition that pavement replacement be included as required in the contract. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-007

Mr. Campoy stated that he has those contracts with him and when they are signed, he will return them back to the Transportation Cabinet.

Update by Stephen Caudill, Bell Engineering

1. Deskins Curve Line Relocation

Mr. Caudill stated that everything has been pretty much worked out with all of the property owners and he will get with Mr. Potter and Mr. Sawyers after the meeting and set up a bid date. Mr. Stratton has prepared the deed for the tank side and they need authorization of the Board to execute that. Mr. Stratton stated that the purchase price for the tank site and easement is together, \$6,000. Mr. Caudill stated that that money has already been requested from the Transportation Cabinet and as soon as that comes in, we will be able to move forward with that. Vice Chairperson Collins requested a motion to approve the Vice Chairperson to sign any and all documents necessary for the transfer of the deed to Mountain Water District for the tank site and

easement for the Deskins Curve DOT Relocation Project. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-008

2. Marshall's Branch DOT Relocation Project -

Mr. Caudill stated that they have obtained all of the plans and have done a preliminary layout. They have put together an opinion of proper cost and have sent that to the highway department and are waiting to hear back from them on this project.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. Awarded Projects:

- Douglas WWTP Upgrade Project – Mr. Hunt stated that this part applies for the Belfry Sewer Project also. They have completed their internal review of the draft advertisement and there are some minor changes they are making. After those changes are complete, he would like to get with Mr. Stratton and make sure he is in agreement with the minor changes that they are making so that they can hold the bidders feet to the fire, to make sure the District is getting what they pay for. They anticipate the bids to go out in the next couple of weeks.
- Mr. Sawyers stated that they have spoken about this SRF funding being available for the project and needs the Board to go ahead with a resolution to approve him to proceed with the loan and paperwork. As he has said before, this is a low interest loan through the State Revolving Fund and could be anywhere from .5% to .75%. They also spoke to him and Mr. Potter in a meeting that you can get some of this principal forgiveness at the end of it. They gave an example of someone who borrowed \$1.2M and they forgive their principal on half of that. Mr. Hunt stated that this is very competitive and we applied for this money for Belfry also. Mr. Sawyers stated that he has been assured that this will pass at their Board meeting this month. Vice Chairperson Collins requested a motion to authorize Mr. Sawyers to proceed with the SRF loan and paperwork for the Douglas WWTP Project. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-009

- Phelps/Freeburn WWTP Upgrades & Rehabilitation Project – Mr. Hunt stated that the contractor has been working on the electrical conduit and controls for the screen. The contractor is waiting on a shipment of internal equipment for the chemical storage building. Electrical work will continue into March due to the weather.
- Belfry/Pond Sewer Project Update – Mr. Hunt stated that they have discussed this project under the Douglas Project. Mr. Sawyers stated that they are still working with Big Sandy ADD and Rural Development on funding for this project. Mr. Hunt stated that they have spoken to BSADD on this project and they are working on the environmental work which is one of the first things you have to complete for funding applications.
- FEMA BPS Mitigation Project – Mr. Hunt stated that the preliminary and hydraulic plans for the project are 95% completed and they are currently working on the DOW permit application and anticipate it will be submitted this month and bid shortly thereafter.
- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that the weather has slowed the contractor's progress but 95% of the Chimney Branch line complete, as well as 95% completion of the Burke Tackett and Marshall's Branch lines complete. There could be a delay of completion of this project because of pump station and equipment delivery delays. No one keeps them on the shelf anymore. You order them, and then they make them and that is the reason for the delayed time.

PROJECT DRAWS:

Vice Chairperson Collins requested a motion to pay the draws as presented contingent upon funding agency approval. Commissioner Friend made the motion. Commissioner Casey seconded the motion.

FEMA BPS RELOCATION

Summit Engineering	FEMA Funds	\$ 6,118.00
\$6,118.00	Engineering Services	

PHELPS FREEBURN WWTP UPGRADE PROJECT

H2O Construction	Coal Severance Funds	\$ 41,104.95
\$41,104.95	Contract Construction	
Summit Engineering	Coal Severance Funds	\$ 13,170.20
\$13,170.20	Engineering Services	

MAGISTERIAL DISTRICT #2 VARIOUS WATER LINE EXTENSION PROJECT

Summit Engineering	Coal Severance Funds	\$ 6,850.75
\$6,850.75	Engineering Services	
US Rentals & Construction	Coal Severance Funds	\$ 72,936.00
\$72,936.00	Contract Construction	

Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting the motion was carried and passed.
Resolution No. 15-02-010

MANAGER / ADMINISTRATOR REPORT

- **Office Work** – Mr. Sawyers stated that as he spoke to the Board recently about the lower end of the building and he wanted to have someone come in and look at it, he did have a contractor come in and look at it and he reported to him the condition of under the flooring. Mr. Sawyers stated that he considers this an emergency and to allow this contractor to do it instead of going through the procurement process because of what was reported. The contractor told Mr. Sawyers that the section on the end of the building, the floor trusses are gone. We have been flooded twice and there are no vents on that end at all, no air to dry it out, he told Mr. Sawyers that it is in pretty poor shape. He has also showed some of the Board members, legal counsel and accountant how that looked on that end this morning and it looks pretty rough. What they will have to do is come in and replace all of the floor trusses, sub floor, carpeting and jack it up and set piers on that one end. He would like to proceed since the condition it is in is so bad and let's get it taken care of. Vice Chairperson Collins stated that it scared him to see the floor around the office settled an inch and a half below when the baseboards at. In the center it is mushy. Mr. Potter stated that FEMA was shown that area when it was flooded before and they inspected it and said it was not eligible or not impacted enough to be eligible for repairs. Vice Chairperson Collins stated that he believes he remembers that. Mr. Potter stated that over time it has rotted. Mr. Sawyers stated that he didn't know if we could get insurance to cover anything like this from past events or not but we have to address it. Magistrate Varney inquired if you could go back to FEMA on something like this and ask for help. Mr. Potter stated that once they close an event they will not look at further claims. The District works to turn in every scenario we can for reimbursement, but once they say it is not theirs, they close it out. Mr. Stratton stated that he believes the motion would be to authorize to begin emergency work on the replacement of the joists and do so without bidding out the work. Vice Chairperson Collins requested a motion to that effect. Commissioner Friend made the motion. Commissioner Casey seconded the motion.
Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-011

Mr. Sawyers stated that anyone who wants to look at it is welcome and he will walk down there and show it to them. Vice Chairperson Collins stated that he didn't know it had gotten that bad. Mr. Sawyers stated that it has done a lot of that in the last little bit. Mr. Potter stated that in the '09 and the before that, the lower end of the building, got water up under it and the parking lot. We aired it out and had it looked at for mold a couple of times, but every time we have submitted it, we've not gotten any response and it has reach the point of emergency.

- **2015 Capital Items List – MWD & UMG** – Mr. Potter stated that these are the field and office items for MWD and UMG that are needed. These are items that he recommends and/or Mr. Sawyers have looked at as well. UMG items include a metal detector, ultrasonic flow meter to replace ones that we have had over the years that have broken down, outdated, outmoded or hard to repair. At least one Supervisor truck and one utility truck needs purchased beyond the one we are replacing due to the wreck that occurred. He needs at least one more computer to keep us up to speed. He will move on those through UMG, but they will be purchased in the District's name. These other items are ones that he is requesting that the District purchase to replace District inventory. There is another flow meter on the list, one UMG bought and one MWD bought previously. We have to have the wastewater portable fill sampler equipment which is going to be a Division of Water compliance issue starting in July so he has to get it up and running before then. We need it before the class at the end of May actually for field laboratory certification. We still need a sewer camera for the wastewater department. We need a new scanner for the vehicles; that is the District's scanner and something you purchased originally. The office items are also needed. He requests that the District give him authorization to purchase these items or give him a schedule for when they can be purchased. Commissioner Casey inquired what the timing is on these items. Mr. Potter stated that the scanner he needs soon because the scanner and field sampling equipment are needed right away. Other things they can keep trying to utilize what they have for now but it is costing more to repair than what it is worth, but the scanner and the field sampling equipment are most needed right now. He can hold off until later in the year maybe, as the District's situation improves but the sampling equipment and the scanner are needed now. Vice Chairperson Collins requested a motion to authorize the purchase of the field sampling equipment and vehicle scanner. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-012

- **2015 Water and Wastewater Capital Asset Plan** - Mr. Potter stated that he has handed out previously and does so again the list of issues that he prepares every year and he has prioritized them by what he considers the major player or issue that needs to be done and he requested that the Board authorize Mr. Sawyers to get with him and Mr. Spears and get a plan on how they can take care of some of these issues. This is replacement infrastructure like Modern MHP WWTP that the District adopted 30 years ago and has reached its life expectancy. Division of Water

wants to know what the plan is for replacement and we need to start looking at those. There is the sewer and water divisions, that includes booster pump stations, pressure reducing valves, old line that needs replaced and he has worked with engineers and contractors to get the most up to date prices and he recommends that the Board make a plan to address the numbers 1 and 2 priority issues on this list. Some of the things that aren't in here are the meters...you have 16,800 meters out there that are due for battery replacement on the automatic meter readers and it is as cheap to change the whole set up as it is to purchase the batteries. We need to look at those issues and he would like to develop a plan in the near future.

- **Winter Storm Update** – Mr. Potter stated that they just lost telemetry on the mountain. They had lost broadband last week and he doesn't know when we will get that back. That provides multiple capabilities for us to view what is going on throughout our system. We are having to use our old dial up connection and it is very sketchy during wet and cold weather events. It keeps crashing and we have to go up and reset it. He has a crew going that way and hopefully we can get it back up soon. He skipped back up and discussed the Water and Wastewater Capital Asset Plan and then came back to this section. He stated that he had water up to the intersection at Phelps a while ago and we are building in Phelps2 tank. As soon as we get available storage...that tank is a 48 foot tall tank...and he still has to go to Widows Branch and all of that area. Commissioner Casey confirmed that the water in the first tank gets water to the Phelps Gymnasium after we repair the leak at the Mouth of Smith Fork. Mr. Potter stated that the second tank serves them. Commissioner Casey inquired where that tank is located. Mr. Potter stated that the first tank is where the 3 lane narrows down. Phelps 2 tank is at the highway department. He is building now and they are addressing the situation at the Mouth of Smith Fork. The area he is still having issues with right is in the Robinson Creek and Greasy Creek areas. Williamson is giving us some water now and it becomes more available, we will start taking it on out to the outlying areas. Elkhorn Creek is still out however we got the areas of Marrowbone, Millard, Ferrells Creek, and Feds Creek back in. He had taxed Pikeville on that end and in some areas he can take a lot more and some he has to give them a break while we are trying to replenish our system. Fortunately where our plant is doing well right now, he had to take the ability to move water by valve manipulation and take some pressure off of them. We are operating out of Shelby tank we are moving it that way right now. The longest areas to get water will be the Majestic, Freeburn, Blackberry, Turkey Toe, Brushy and Stopover areas. Those are the farthest out. He has to fill tanks in front of them and he can't just turn it on and let it flow because he has to have available storage and we are trying to do methodically to ensure that we are not going to lose any water. We are going valve to valve down the line, filling it up, checking for leaks, letting customers see if they have leaks and address those issues, and move forward. He has questions about the boil water advisory that is currently on. The boil water advisory is on his license and he is not going to release it until he is comfortable with what is going on out there. The health department called this morning and wanted to know and he told them he would keep it on until he was comfortable with it and they were asking what they needed to do about their health care providers, but he wants to wait to lift until there is not an issue with disinfecting throughout the system. He would release it sectors but the county is so large and when you start trying to release areas in chunks, people get confused and he doesn't want to get anyone sick or ill. He knows it is an inconvenience to the boil water at this time but when he does start release it, he won't do it hollow by hollow, but maybe in large areas like Shelby Valley up US 23 to the Letcher line, etc. He will have guys start sampling tomorrow and will try to start taking off some of the larger chunks. If anyone complains, please ask them to bear with us. We do have some isolated areas that have leaks and we are having to cut the side lines back off to catch up and he projects that to continue over the next day or two as we fill up. People come home from staying with friends, they find leaks and we are going to get a lot of that still. Vice Chairperson Collins inquired if Raccoon has water coming from one direction or both directions. Mr. Potter stated that he can do it both ways to a point. He can take Pikeville water usually up to the mouth of Frozen. He has to do it according to pressure zones. There are a lot of interconnections that he can do that on a routine basis. He can take water all the way to South Side Mall from the Russell Fork WTP but he can't do it long. As far as the boil water advisory goes, the Division of Water impresses that on everyone who gets their license. The purpose is to protect the consuming public and he takes it very seriously. We have an excellent track record here at MWD even before he was UMG. He wants to keep it that way and make sure we protect the public.

Magistrate Varney stated that the UMG crew that works in District 6, he wants to commend them. They do a great job and work with the road crew real good and they have a good relationship and he really appreciates that. Mr. Potter thanked him and stated that he has two different crews that rotate in and out over there, the day crew and the night crew. Here of late, everybody has been everywhere. He really encourages the Magistrates to talk with them because he really prefers to work well with you because if you'll tell me where you want to go dip a ditch, he can tell you where the water line is. Magistrate Varney stated that they do a good job over there. He also stated that some of the older people who have had their water lines bust are worried about this bill they will be getting. Mr. Potter stated that he is glad Magistrate Varney brought that up. The District has their \$30 and \$75 service fee if we come out and find out if it is on the customer's side. He has spoken to Mr. Sawyers about that and recommends that the District suspend that during this time frame. Commissioner Casey stated that we need to help our people throughout the whole county. Mr. Potter stated that if someone is trying to take care of their problem, we need to suspend that fee because that helps us. Then they can apply for their leak adjustment. Mr. Potter stated that he recommends people evaluate their own infrastructure. He has a cut off valve coming into his house that is immediately accessible but a lot of people rely heavily on us to come and turn their meter off or they try to turn it off and damage it and get billed for that. If people want to work on their houses and add a valve in, he thinks if they call for that service so they can put an additional valve in that prevents the need for us having to come out there all the time, he thinks we need to suspend the cost of that call. Mr. Stratton stated that he believes Ms. Olson brought up a good point, and he thinks the issue is if the Board is so inclined, is to pass a motion to declare a weather emergency and based on that emergency, we suspend the \$30 and \$75 inspection fee and keep that in place until the next meeting, until we can decide if that needs to continue any further. Mr. Potter addressed Chris Anderson with the Appalachian News Express, and suggested that if he will put that in the paper we will try to accommodate those as much as possible. Commissioner Casey stated that based on what legal counsel just stated on needing a motion from the Board to assist as many of our people that we can legally, he makes that motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-014

Magistrate Varney stated that he really appreciates that. Commissioner Adkins stated that if Chris will publish it in the newspaper, that would get the word out.

- **Phelps Athletic Complex Update & Contract Approval** – Mr. Sawyers stated that he has been working back and forth with Roger Johnson on this and they have requested up to relocate some facilities and disconnect some facilities for the Phelps Athletic Complex. We have gotten some quotes on the work and it is beyond our procurement amounts and so we have to advertise and procure this through contractors. We have a contract also that Mr. Stratton has put together for the Board to approve. He is asking the Board to approve the contract and the work because he will have to advertise it for a contractor to do the work. Commissioner Casey stated that what he is hearing is if the Board doesn't approve it, it will stop the progress of work at the Phelps Athletic Complex and he made the motion to approve the contract and the work. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-013

- **Nexcheck On-Line and Phone Payments** – Mr. Lowe stated that he, Mrs. Hatfield and Ms. Olson had a meeting with a company called Nexcheck which is basically a credit card processing company. We process currently with another company where we take phone payments and online payments. This company would offer that in addition to check by phone or check online and would offer an automated phone payment system. Currently we take about 2,500 phone payments per month where we actually speak to each customer and it takes about 4 to 5 minutes per customer. We charge 2.27% of whatever amount they are paying plus .25 per transaction. This company would be a little bit more expensive, but they would provide a number for the customers to call and it would be all automated. Commissioner Casey inquired how much more expensive they were. Mr. Lowe stated that their minimum is \$3.50 per payment. It is 2.75% with a minimum of \$3.50 and currently our customers are paying the 2.27 % plus .25. Currently we charge the customer that fee when they pay and turn it over to the credit card company. With Nextcheck, they would take out their fee automatically and we would not have to deal with the fee at all, which also means we would not have to have it approved by the PSC and have it in our tariff because we are not collecting the fee. Vice Chairperson Collins clarified that we have been passing it on to the customer. Mr. Lowe stated that is correct. Either way the customer will be paying the fee. Mr. Sawyers inquired what the difference is in the cost of the two. Mr. Lowe stated it depends on how much they are paying. It is about the same for an average bill but for a minimum bill, the customer will be paying a little more than they are now. Mr. Sawyers stated that basically what it boils down to is that if the Board agrees to accept this, it would free up personnel to do other work. Mr. Lowe stated that would be correct. We currently have personnel who process about 2,500 per month at about 5 minutes each and that would free them up to do other things. Mrs. Hatfield stated that plus, they wouldn't have to give a person their credit card number and could be viewed as more secure. Commissioner Casey stated that he believes that they need to study this a little bit more. Mr. Stratton inquired how much revenue we are going to lose out of this. Mr. Lowe stated that we don't get any revenue out of this because we are passing that cost on to the customer now. Mr. Stratton clarified that they said we are charging 2.27% plus .25 now, so none of that comes to us now. Mr. Lowe stated that is correct. We collect it and the processing company takes that amount of our account. It is a wash. Mr. Lowe stated that is if they are paying with a credit card. If we add the check option, that would be a flat \$2.00 fee regardless of the amount they are paying. Mr. Stratton suggested that he submits the contract to him for review and bring it back to the Board at the next meeting again. Commissioners agreed with that course of action.
- **Rate Review/Case Update** – Mr. Stratton stated that we have submitted about 5 additional volumes of information to the Attorney General's Office and to the Public Service Commission in response to supplemental questions that they have asked us. He believes there will be one more round of questions that we are subject and an informal conference with the PSC is tentatively scheduled for April 2nd to review the issues and see if we can narrow down the issues and go from there. The final hearing with the PSC is May 19th. We had about two weeks to turn around 100 questions and Mike, Roy, Grondall and Bob Meyer did a heck of a job in producing those answers. Mr. Spears stated that there were about 100 questions with 5 sub parts each.

Mr. Potter stated that is all he has by way of a report at this time. Commissioner Casey stated that he wanted to say what a great that the workers have done, just like Magistrate Varney had said. He called Grondall at 6:00 this morning to get an update on Phelps and he answered his call. They were out in the field and he has heard that David Taylor has not been in the bed in about three days. That is the type of

workers that have been out here in our system and directed Mr. Potter to relay that to his employees and that he appreciates each and every one of them. Mr. Potter thanked him. Vice Chairperson Collins requested a motion to approve the Manager/Administrator Report as presented. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-015

NEW BUSINESS

1. Southern Corrosion Contract Amendment

Mr. Stratton stated that they needed a resolution to authorize Mr. Sawyers and himself to renegotiate the amended contract with Southern Corrosion in order to keep it moving forward. Commissioner Friend made the motion to that effect and Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-016

2. Legal Issues

Executive Session to Discuss Outstanding Litigation and Potential Litigation -

1. Williamson Wastewater Contract

Mr. Stratton stated that there is no further update on legal issues at this time so there is no need to go into executive session.

COMMISSIONER COMMENTS

Vice Chairperson Collins inquired if there were any further Commissioner comments. There were none.

ADJOURN MEETING

Vice Chairperson Collins stated that if there were no further comments, he requested a motion be made to adjourn the meeting. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner John Collins	Aye
Commissioner Kelsey Friend	Aye
Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-02-017

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

March 25, 2015
10:00 AM

ATTENDEES

Michael Bell, Resident
Hufford Williams, Resident
Jerry Layne
Nancy Carolyn Taylor, Resident
Bobby Varney, Magistrate, District 6
Hilman Dotson, Magistrate, District 5
Chris Anderson, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Cliff Latta, Vaughn & Melton
Jamie Noe, Vaughn & Melton
Stephen Caudill, Bell Engineering
Tom Jones, Bell Engineering
Tim Campoy, EDC, Inc.
Mike Spears, Spears Management
David Stratton, Stratton Law Firm
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, March 25th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Commissioner Kelsey Friend, III
Commissioner Prentis Adkins
Commissioner Ancie Casey
Commissioner Michael Blackburn
Commissioner Eddie Hurley

David Stratton, Attorney for the Mountain Water District, facilitated the meeting in the absence of a Chairperson and stated that the Board has one member in route and we will proceed the best we can and finish up when he gets there. The first item of business is that there are some visitors.

VISITORS AGENDA ITEM II

Mr. Stratton inquired if there were visitors that wished to share anything. Magistrate Bobby Varney from District 6 stated that he wanted to commend the Mountain Water District and UMG for the job they did during this past month and a half to two months and all that they went through; flooding and the whole thing. The guys especially in his District did a tremendous job. He wanted to commend MWD/UMG for the

communication they have had with him. He really appreciated that. "You let the people know what is going on and that is a big thing, especially in my District". He stated that MWD/UMG did a great job and he wanted to give them a thumbs up on that. The Board thanked him for his comments.

Mr. Stratton recognized Nancy Taylor who was in attendance and wished to speak. Ms. Taylor stated that she has lived here most of her sixty-some to seventy years. She is very pleased to see folks working together and inquired how many employees were in MWD now; is it one or two, and are they covered by the Kentucky Retirement System. Someone responded to her that there are two and Commissioner Casey responded by saying "yes" referring to the inquiry about the KRS. Ms. Taylor stated "Good luck and thank you all and have a great meeting". Commissioner Casey thanked her for attending.

Mr. Stratton recognized Hufford Williams from Mouthcard. Mr. Williams stated that he has a problem with his water bill and was invited to come and set in on the meeting. Mr. Stratton stated that he welcome and inquired what the nature of his problem is. Mr. Williams stated that it is 10 times that normal monthly bill and it had a note on the bill of "possible leak" but he doesn't have a leak. He checked it personally. The problem is that he is at the very end of the line and the water has been off several times during this period and every time it comes back on he gets air for a half a day or a day or more. Nothing but air; and he knows for a fact that when air is coming through, his meter is whizzing around like he is using water and he is not. Mr. Stratton turned this issue over to Grondall Potter, Manager. Mr. Potter stated that that does occur occasionally and does the same thing at his house. We try to flush in those areas but we have thousands of end line points and based upon his history we can look back and assure there is no leak because of that AMR meter's read. We can adjust that back to his average water bill. That does occur occasionally. Mr. Potter asked Kevin Lowe to take him over to billing and get that resolved for him.

Mr. Stratton recognized Hilman Dotson, Magistrate of District 5. Magistrate Dotson stated that like Magistrate Varney said, he thinks they commended the District at the last court meeting on the job that you did. They had a lot of calls and complaints of why the water wasn't on. A lot of people don't understand that we are a big county and they are on the far end of the county and he understands it takes time to get the tanks filled and get the water back in circulation, but thank God we were able to use snow water and we had electricity and we made it. People from the mountains are tough and know how to survive and he just wanted to say that it is not always often that the Board hears from him, but he has some questions to ask the Board and hopefully he can get some answers. One of the quotes that was said was that we (Magistrates) didn't attend your all's meetings and there were some false allegations in that quote from one of the former Board members. The last time we were here, we were here on behalf of the fiscal court on trying to get answers why that Mountain Water's contracting out the work. We haven't been able to see your books or know what is really happening at Mountain Water. He is getting a lot of calls now from the people wanting to know why the raise in the water and sewer is going to be so great. If we had some way to show the people that you need the money to operate on it would be a lot easier to answer their questions. Another question is why we haven't seen any action on the Majestic Sewer Project which has been in process for several years now and there is money that is laying there that is supposed to be for that and he would like to find out how much we have in that account and when the District plans on starting the process. He talked to Roy Sawyers about a year and a half to two years ago and you were working on the engineering part of it and finding out...Mr. Sawyers stated that to update him on the Majestic Project, Cliff Latta with Vaughn and Melton is here and Mr. Sawyers spoke to him this morning. One of the problems we have been having is that we have been going through the process with one of the land companies over there to get access to their properties to do some soil sampling and evaluate that area. He has a meeting next Tuesday with Alma Land and they have approved to go ahead and let him proceed. It is moving along, however slowly, but is moving. Mr. Dotson inquired how many years it has been since this began...four or five? There is supposed to be a lot of money for this. Mr. Sawyers stated that they went over and visited the project two summers ago when they first started with the engineers. Mr. Dotson inquired that with the Phelps sewer update, and he sees it is on the agenda today, where we are on it and when will it start. Mr. Sawyers stated that the Phelps/Freeburn Upgrades has been ongoing since about November of 2014. Mr. Jody Hunt, Engineer for the project, stated that it is in construction now. Mr. Dotson inquired what they are doing there. Mr. Hunt stated that this project is to convert the existing UV disinfection to a chlorine contact disinfection and adding a fine screen to screen the material coming into the plant, and also adding a sludge press to the plant to press the sludge so the District can haul that off and dispose of it properly. It is also adding a computerized telemetry system to better enable the District to operate the system and treat the sewer. Mr. Dotson stated that "so the odor at

Double Quik and down at Pounding Mill that we have had constant..." Mr. Hunt stated that this project will not do anything to the lift stations, this is just the plant. Mr. Dotson stated that he thought this was going to take care of our problem that we have had with the smell at the intersection at Phelps and the ones at Pounding Mill and Billy Dotson. So this update is not going to do anything for that? Mr. Hunt stated that their contract was never for anything other than plant. Mr. Sawyers stated that this project is to upgrade the plant itself and not the lift stations. For those we would have to come up with ozone treatment to do that and would have to have additional monies in order to take care of any issues with regards to odor. Mr. Dotson inquired if that was a million and a half for that. Mr. Sawyers stated that was correct. This project was to upgrade the plant to make it function the way it needs to meet EPA regulations. Mr. Dotson inquired why does MWD need such an enormous increase in the water and sewer rates. A lot of people are calling him, and he guesses the other Magistrates, wanting to know why and they say if this keeps going up...and what was it 70% you all want for the sewer...Mr. Sawyers stated that water is 25% and sewer is 159%. Mr. Dotson stated that some people who are not on the water are saying they are getting a large increase in their sewer. Mr. Sawyers stated that sewer basically 'eats our lunch' here. It is an ongoing issue as far as force main grinder units. It costs a lot of money to rebuild those and replace those every month. That is one of the issues. We probably spend about \$4 million dollars per year just to repair grinder units. Mr. Spears stated that revenues are about \$900,000 and grinder units cost about \$300,000. They can't hold up because they aren't designed...Mr. Dotson inquired if they could get some with a better design on them. Mr. Sawyers stated that they have experimented with putting other ones in to see if they would work better, but so far we haven't found anything much different than what we are using. He doesn't know how to reply to that in any other way, other than to say that it takes a lot to maintain those systems and we have a lot of small package plants that has to have our attention a lot. Mr. Spears stated that if it wasn't for the elevation changes, we wouldn't have near the issues we are having now. Mr. Sawyers agreed and stated that if we could have run all gravity instead of force main it would have been a whole lot better for us, but with our topography and terrain that we have, it is a big issue here. Sewer is one of the major issues that we have. For the county to move on and continue sewer, one of the things that needs to be looked at with the fiscal court side might be, if they decide they want to proceed with putting sewer throughout the county is to pass an ordinance for everybody to sign up. It would be a mandatory sign up if it is available. Mr. Dotson stated that he believes it is already in effect that if you don't have a working system, you have to sign up on the sewer system. Mr. Sawyers stated that the current ordinance that is passed refers to people with straight pipes and failing systems, not just any homeowner. He is talking about if the sewer is available in the area, the resident is mandated to sign up for the sewer. If you put in a mile of line with the potential of 350 homes, and only sign up a portion of those homes, it doesn't help pay for the infrastructure or assists in paying the rates. Mr. Dotson stated that getting back to the price, too; if we can get it down when people can afford it...people are having it tough right now. Mr. Sawyers stated that is what hurts us. We don't have enough people signed up to help pay for that rate. Mr. Dotson stated that it is like that bunch over at Pikeville at the civic center. If they would cut the price down on the tickets, people could go. But they have empty seats and nobody is attending because they can't afford to go. If we can get our water and sewer prices competitive where people can afford it, he is sure they would love to hook up on the system. He believes that we do have an ordinance that if you have a straight pipe and the sewer comes by, you have to hook up. Mr. Sawyers stated that the health department does have that one in place. Mr. Dotson clarified that what Mr. Sawyers is wanting to do for the county to pass an ordinance to be mandatory...Mr. Sawyers stated that it is just a thought, if the court wants us to keep on providing sewer throughout the county. Commissioner Adkins stated that, with regard to the grinder units, that people put everything in the world down in them. A lot of states and people out in counties, have to buy those units and that is something to look at too, if the homeowner wants to buy the unit their self because a lot of people put stuff down in them that shouldn't go down in them. Mr. Sawyers stated that we have found toys, bed sheets....Commissioner Adkins stated that he is not saying that in a bad way it is just a bad situation. Mr. Dotson inquired how many sewer customers we have in the county now. Commissioner Casey stated that we have about 2,300 customers and we subsidize every sewer customer every month \$10 to \$12. That is how much we are losing on every sewer customer. Mr. Sawyers stated that it is even more than that now. Mr. Dotson inquired how many water customers are in the county. Mr. Sawyers stated that it varies each month but is between 17,000 and 18,000. Mr. Dotson stated that was some questions he had and he is glad he got to come this morning. To make this water, we have to work together...the District Board and the fiscal court. It has to be an open book on both sides. We need more communication and need to be more open with each other. If you all have a problem, we've got a problem. Mr. Sawyers inquired if Mr. Dotson had his phone number. Mr. Dotson confirmed that he had it. Mr. Sawyers stated that he is welcome to call him any time

he wants to. Mr. Dotson stated that he is talking about the entire Board working as a whole. They have had lack of communication for several years with the Board because they have not been having a lot of cooperation with seeing the need that that Board has because they haven't seen the books or don't know...everything is being hid through UMG not Mountain Water. But the Board is responsible because you entered the contract. Mr. Sawyers stated that they submit an annual audit to the fiscal court with regards to their finances. Mr. Dotson stated that the court would like to see when their Coal Severance monies is going and all they have asked is that UMG open their books up and show them where it is going. Mr. Spears responded that actually, the Coal Severance money is projects only. We don't have any Coal Severance money that goes to UMG. It goes for projects...infrastructure. Mr. Dotson asserted that then UMG gets paid to maintain it. Mr. Spears stated that UMG is paid for operations of the District. Mr. Dotson stated that it goes hand in hand, right? Mr. Stratton stated that he can understand why Mr. Dotson would think that, but basically Coal Severance money goes to build the projects. Once the projects are built, then it comes under general operations. It is not the Coal Severance money that goes to general operations. It is revenue derived from the users of the project of the District that funds operations. Mr. Dotson stated that the Board is responsible for UMG. Mr. Stratton stated that the District is responsible as a contractor with them, yes. Mr. Dotson stated that is what he is saying. Their books are open over at the court house, UMG's books should be open, too. If you have nothing to hide, lay it out there. Mr. Stratton stated that is an issue that is beyond this group's ability to make happen, per se. Mr. Dotson stated that it is within your ability when you renew their contract. Mr. Stratton stated that it is something that takes two to agree upon and we don't know where that is going to end up right now, but it takes two to agree on that. Mr. Dotson stated that is what he meant that we need better communication and to let people know out there, if they are paying you, where their money is going. If you need that raise then he would say they would be up to give it to you, but right now it is in the black and they don't know why it is going up so much at one time and he believe the Board has voted for that raise. Mr. Stratton stated that they do not know what the ultimate raise will be because that will be set by the Public Service Commission. Mr. Dotson stated that is right. They are just like the electric company. People have just about went their limit on what they can do. It is coming to the point that they are going to have to not buy their medicine to pay their electric and utility bills. He is not criticizing you guys, it is just open that we give our points and work out our differences and he thinks that we need better communication and he is willing. The Board is welcome at the court to let them know what you need and everyone needs to work together. Commissioner Adkins stated that he right about the electric company, but Mountain Water District hasn't issued a formal PSC rate increase request since 1998. The power company does it all the time and their bills are unreal and it hurts every family but they keep doing it and it is eating us (the District) up, too. Mr. Dotson stated that it is like the fiscal court needs garbage trucks right now but we have to find money where we can to buy them. We don't want to put another increase on the bills. He knows that there comes a time when you've got to do what you've got to do, but they would like to know where they stand. Mr. Stratton thanked him for his comments.

Mr. Stratton once again recognized Nancy Taylor. Ms. Taylor stated that while Mr. Dotson was speaking she happened to think of another question. She stated that in the Appalachian News Express she read an Advertisement for Bids on page 6C and John Collins' name was down at the bottom. She inquired if the bid was out on that still and if so, is the Board opening bids on that today. It was a relocation, she believes, up Johns Creek. Mr. Caudill stated that the bids are to be opened today at 2 o'clock. Ms. Taylor asked the Board members to raise their hands if they knew about that. Mr. Sawyers stated that the Deskins Curve Project has been run in the paper to be out for bid. Ms. Taylor stated that she knows that she just wanted to know if the Board members knew about it. This is a Department of Transportation project. Ms. Taylor stated that she knows that. There were several Board members who acknowledged that they were aware of the bid opening.

Mr. Stratton inquired if there were any other comments from visitors. There were none.

Mr. Stratton stated that since we are still waiting on a Board member to get here, he inquired if the Board wanted to go ahead with the approval of minutes and continue with the agenda and then come back and do some other business. The Board agreed.

APPROVAL OF MINUTES

AGENDA ITEM III

Mr. Stratton requested a motion to approve the minutes of the regular meeting held on February 25th, 2015 as presented. Commissioner Adkins made the motion to approve the minutes as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-03-001

FINANCIAL REPORT – MIKE SPEARS, CPA

AGENDA ITEM IV

Mr. Spears stated that for Commissioner Blackburn, he usually sends these out the day before the meeting and he needs to get their email addresses so he can send them out and be available for questions. For the month of February, cash in bank was \$408,508. Accounts receivable was \$939,221. Plant in place was \$138,546,880. Accounts payable at the end of the month was \$1,252,836. Equity position is \$79,721,931. Revenues for the month were \$711,420 and year to date is \$1,440,787. Keep in mind that February is a short billing month, but that is probably a little better than we have done in the past. Utility Operating Expenses were \$960,979 and \$1,904,910 year to date. The loss for the month was \$281,410 and \$527,612 year to date. Included in the loss is depreciation of \$271,779 and \$543,559 year to date. The current operating income is negative in the amount of \$249,559. As we have talked in the past, our depreciation number and our loss number is usually dead even but now it is not and is related to cash flow. Ordinarily, in normal business, depreciation should delay cash flow to pay bond payments and those things, which we have been doing but that is part of the reason that we are in need of the rate increase. Cash increased for the month in the amount of \$74,152. That seems positive but keep in mind that we dropped down another payment and that is the reason we had more cash. If we had of had more cash to pay that other payment we would have paid it so that is a little deceiving to look at in and of itself. The current operating account balance is \$47,034 as of the end of February. We have made the appropriate transfers to KIA and RD. Current balances are now \$704,542 and \$713,516 respectively. Those are reserves that we set aside based upon our bonding requirements and we are about 84% funded on those. We have made the transfers to sinking fund for debt service as well. R & M expenses were \$45,065.47 which is under budget. Mr. Potter stated that he anticipates that not to be the case next month because some of the items we had to get during the flood situation where the invoices follow through. That will probably be higher next month. Commissioner Blackburn inquired with regard to budgeted repairs and maintenance, if those are rolled into the contract with UMG. Mr. Spears confirmed that. He stated that if you look on page 15 of the financials, the contract is \$644,439.66. That \$47,000 budgeted repair and maintenance budget is a part of that. The way it works is that anything over the \$47,000 per month, at the end of the year that is either an overage or underage. Commissioner Blackburn then clarified that if we are under, do we get credit for that. Mr. Spears stated that in the event that we are under, which we have never been under that amount, it would be a check...a credit to us at that point in time. It wouldn't per se carry over. It is part of the contract amount, to answer his original question. He stated that if Commissioner Blackburn would like to set down with him and go over this, he would do that at any time. Mr. Spears stated that concludes the financial report and he has two other items to discuss after this. Mr. Stratton inquired if there were any other questions regarding the financial report. There were none. He requested a motion to approve the financial report as presented with the amendment noted to the Board. Commissioner Friend made the motion to approve the financial report as submitted. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-03-002

Mr. Spears stated that annually in March he has to submit to the PSC a gross operating revenues page and Carrie Hatfield has that and he needs to get that approved. Water revenues are \$8,018,005 and sewer revenues are \$898,842. Mr. Stratton requested a motion to approve the gross operating revenues as presented and to send it to the PSC as required. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-03-003

Mr. Spears stated that US Bank called him this morning and they should be ready to close on that in the next two weeks. That loan is for the rate study expenses since our cash flow is so drained. This will be a line of credit for 9 months to pay for the associated costs for the rate case such as engineering fees, attorney fees, accountant fees, the rate study itself, etc. so that we are not pulling money out of our general operating account. A question was raised as to how much we have invested in it so far. Mr. Spears stated that on the top of page 16 is the listed amount. The month of March will be a big month because we have a huge filing to submit to the PSC on the PSC's 3rd request and Attorney General's 2nd data requests. We have hearings in April and May and that should be the end of it. At the end of the 9 months we will convert that to a term note. Mr. Stratton inquired if he had a total on that yet. Mr. Spears stated that he doesn't have a new total on it but he can get them one but it is approximately \$70,000 at the end of February. Mr. Stratton inquired if Mr. Spears knew how much the line of credit was going to be for. Mr. Spears stated that the PSC attorney out of Frankfort stated that it will be somewhere between \$125,000 and \$150,000. We have a hearing on April 2nd with the Atty. General's office and then go to the PSC on May 20th for formal hearing. He doesn't think there will be anymore data requests after March. We have had 3 data requests from the PSC and 2 from the Atty. General's office. We have spent about \$10,000 or so just on copies. We spent over \$4,000 just to advertise it. They require 12 copies of everything and the last filing was 9 volumes in itself. What we have sent them so far wouldn't fit in the back of a pick-up truck. Commissioner Blackburn clarified that this loan would take us through the next nine months. Mr. Spears stated that is correct. The bulk of the expenses now, are in the submittals of data requests and hopefully that will most of it. We don't have to take any action on that at this time; he just wanted the Board to know what was going on with it. He reminded Commissioner Blackburn that he needed to get his email address after the meeting, so he could start sending him the financials each month before the meeting.

Commissioner Hurley arrived during this last item. Mr. Stratton stated that now that all of the Board members are present, the Board needs to select a Chairperson. It can be done in one of two ways; they can vote in an Acting Chairperson for the day to serve in that capacity until a full time Chairperson is agreed upon, or if they feel prepared today to vote on a full time Chairperson, they can do that today also. Commissioner Hurley requested that they go ahead and select a temporary Chairperson until he and Commissioner Blackburn get their feet under them here. The Board agreed. Mr. Stratton stated that he supposed introductions were in order. Roy Sawyers and Grondall Potter were introduced as well as the

Board's CPA, Mike Spears. Mr. Potter introduced Kevin Lowe, who he said is one of the Co-Office Managers here at UMG mainly over billing and those type issues. He introduced Tammy Olson, saying that she does compliance, all of the sampling data and most of the violations to the Division of Water and those kinds of things. Mr. Sawyers introduced Carrie Hatfield, District's financial officer. Mr. Potter stated that he knew they were going to have a meeting to give them all information on the District but he stated that if any of them had any questions or wanted facts and figures regarding the District, to call him. Commissioner Hurley requested a motion to appoint Mike Blackburn as Acting Chairperson until such time as a permanent Chairperson can be agreed upon. Commissioner Casey seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-03-004

PAYMENT OF BILLS

AGENDA ITEM V

Mrs. Olson distributed copies of the AP report, the Cash in Bank report and the vendor payment list to the Commissioners. Mr. Potter stated that they would notice that most of the bills each month are the electric. He stated to Commissioner Hurley that they had talked about the expenditures that have changed over the years before he arrived. He does a history on all electric usage, water and sewer trends breakdown, and he is welcome to look at any of that information. In 2005 the average bill per month for electricity was \$46,000. Now it is roughly \$100,000 per month just for electric bills. He has lots of data if the Board members want to review it and it is an approximate 100% increase. Commissioner Blackburn stated that there has probably been some additional infrastructure that has been added which not indicate a 100% increase. Mr. Potter stated that there has been some additional infrastructure added and it comes out to about a 95% increase after taking in to considerations the additional lift stations and booster pump stations added. The kilowatt hours have not change that much. We do an off peak demand structure that he reviews twice a year with AEP and try to get our bigger players on to a different schedule that gets us out of that high rate demand, but there are some pump stations and/or lift stations that have to pump when they have to pump. We try to manipulate that as much as possible to keep us in a lower bracket. Mr. Stratton inquired if there was anything unusual or out of the ordinary about this month's bills. Mr. Potter stated that there wasn't really anything unless you want to look at page 11 and there are a couple of items there. There are two pumps; one for \$7,000 and one for \$3,000. Both of those were applicable to the storm. The power glitches and brown outs and over spikes got both of those pumps. As we upgrade some of the stations throughout the county, technology has increased now and they now have controllers now that will track the power in the station that will give you something to take to the power company. Every time he goes to them and says that we got hit here and he thinks they have an issue, they'll say they will put a chart on it and see what it looks like. Of course it is good then, after the event. As we go to upgrade some of the larger player stations, we may want to invest in that technology to see what kind of power we are getting. We will ask for reimbursement from FEMA on those two items if they declare the disaster. Mr. Stratton clarified that by "We" Mr. Potter means UMG. Mr. Potter stated that he means Mountain Water District. When he says "we" here it is always Mountain Water District. He was Mountain Water before he was UMG. Commissioner Blackburn asked how that normally works with AEP. Mr. Potter stated that if you can prove it to them, they'll reimburse up to a portion but the trick is in proving it. Their rules with the PSC are about the same as the District's rules. If it is their responsibility and it is not outside the realm of their tariffs, then they have to acknowledge it and do something about it.

Commissioner Blackburn inquired if we ever make partial payments to UMG under the contract. We are three behind now. Mr. Spears stated that we have not made any partial payments. They bill us twice a month, on the 15th and the 30th and we have not made partial payments in the past. Commissioner Blackburn stated that maybe we could get them to accept a partial payment. Mr. Spears stated that he is

sure they would take whatever we could give them as we could. Mr. Potter stated that he doesn't do that part, he just keeps the water moving; that would be Bob Meyer, the Comptroller for UMG. Mr. Spears stated that one thing worth mentioning is that MWD pays the electric bills and R & M and then they reimburse us with a check. By that point we can pay another bill and they turn around pay us back for the R & M. Due to the sales tax issue, we pay all of the R & M expenses up front and UMG reimburses for it. We have to be careful about making those partial payments. Once we get close, we just have to make sure we have cash flow to pay those. Commissioner Blackburn inquired if all three that we are behind consecutive. Mr. Spears stated that they are consecutive. The problem we have right now is in low water usage months; the winter months. Our cash flow is down. June and July's cash flow is going to be back up. Commissioner Blackburn clarified that the District didn't have this problem last year. Mr. Spears stated that this has basically all occurred in the last 12 months. Commissioner Blackburn stated that he was trying to look at these bills and see what is beyond 30 or 60 days beyond the UMG contract. Mr. Spears stated that everything else should be within 60 days or 30 days. What you have on there and the reason that is more than 3 payments; we have always got that R & M bills that are due and they are on top of the 3 payments because we have always paid those and those aren't behind at all. Commissioner Blackburn clarified that he was talking about R & M. Mr. Spears confirmed that as correct and stated that R & M means repair and maintenance. Commissioner Blackburn stated that looking at this he would be prepared to go ahead and approve the payment of the invoices and make a partial payment to UMG under the contract. It may take a little bit to work through the numbers but we get credit for the utilities. MR. Spears stated that we pay the utilities and when we submit them a check they turn around and submit us a check. We bill them twice a month; one for the 1st through the 15th and another for the 16th through the 30th. We could do that and in the motion you would want it to be subject to Mr. Sawyers' and Mrs. Hatfield's analysis of what we could pay them based upon the revenue stream and what bills are coming up. Commissioner Adkins inquired what would be the difference in paying a partial payment. IF we don't have it then, it builds up, but as long as they go along with it...Commissioner Blackburn stated that he would think that they would accept a partial payment. Commissioner Adkins stated that they would if they want to do it, but if they don't he doesn't see any reason to do that. If they forced us to do it, we are in a mess of trouble. If we start letting all of these little vendors go... Commissioner Hurley? stated that he doesn't think that is what he is talking about, he is thinking that we pay everything we've got and make partial payments to UMG when we can. Commissioner Adkins stated that we pay the vendors and we just carry that over and pay the invoice when we have the money. He confirmed with Mrs. Hatfield that is how it done. She confirmed that as correct. He doesn't see the difference in it himself, as long as they are willing to accept it that way. We have had a few issues lately; the building and a couple of things...the other side of the building started to fall in and we had to fix it...and our infrastructure is getting so old that we are seeing it... Mr. Spears stated that is one thing when we get the first draw from US Bank, it will catch us up about a half a payment and will help with that, to reimburse for those expenses that we have pulled out of the operating account to cover the rate case filings. Commissioner Blackburn? Inquired how far that it looked like we are going to be before we start catching up. Mr. Spears stated that he believed we would go down one more or possibly two by the time this rate structure goes through. What he would suggest instead of a partial payment is to issue them an extra so much a month. Commissioner Blackburn stated that is what a partial payment is. Mr. Spears stated that he knows that but they have to be careful structuring a partial payment because we don't want to get to where we can't pay our power bill and have to go back....Commissioner Blackburn stated that at this point let's just go to them and ask that..for this billing cycle that we have to skip, to look at this and see what the best thing is to do. It needs a bit more research. If you look at the numbers in total, he doesn't know if we have a revenue problem or a spending problem. We've got \$9,000,000. Mr. Spears stated that our bond payments are about \$1,000,000 per year. Commissioner Blackburn stated that we are talking about gross numbers. They need to dig into this and see where the money is going. Commissioner Adkins stated that grinder pumps and the sewer-is eating a lot of it. That is what he sees...he doesn't know what the other Board members see. Commissioner Blackburn stated that once we get in there and dissect it, we will have a...Commissioner Hurley stated that he knows that the way the grinder pumps were put in, in areas that should have been gravity sewer, there is not hardly a fix to it unless you just totally redo it. That was a mistake to start with. Commissioner Blackburn made a motion to approve all of the bills as listed and have some kind of discussion with UMG about partial payments. Mr. Stratton stated that they could authorize Mr. Sawyers to meet with Bob Meyer with the concept and come back next month with some parameters that UMG could live with and the Board could consider. Mr. Hurley stated that with a partial payment you don't want to set a certain amount. Mr. Stratton stated that it is just a concept at this time. Commissioner Adkins stated that we are going to owe it anyway. If it benefits this or that, it is still going to build up one

way or another and he doesn't see any reason to pay it in partial payments. Acting Chairperson Blackburn made the motion to pay the bills as presented and reviewed in the finance meeting. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-005

Mr. Stratton stated that the next motion should be worded to authorize Mr. Sawyers to meet with Bob Meyer at UMG to discuss the option of making partial payments. Mr. Blackburn stated that they needed to discuss this. We need to make some form of partial payment until we get into a position where they can take care of their financial obligations. Commissioner Casey clarified what this was for. Mr. Stratton stated that it was for Mr. Sawyers to discuss the concept of making partial payments with UMG and bring back scenarios for the Board at the next meeting. Commissioner Casey said he didn't see a problem with that. Vice Chairperson Blackburn made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Nay
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-006

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

Ms. Olson stated that there is just a line at the bottom on the customer adjustments page for the Acting Chairperson to sign. Acting Chairperson Blackburn inquired from Mr. Potter if this number was unusually high. Mr. Potter stated that it is high but not unusually high. We have seen them a lot higher, especially in the winter months. Commissioner Casey requested a motion to approve Customer Adjustments in the amount of three thousand, seven hundred and ninety-two dollars and sixty-five cents (\$3,792.65) as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-007

Mr. Potter stated that there is a policy book that has this policy in it where you allow one adjustment per twelve month period. The way that works is that you can adjust off up to three months because some people will say they didn't have a leak and it crept up until they find it. That is what has been approved to do on these. There is a formula that we base it on that is in the tariff.

CONSTRUCTION REPORT

AGENDA ITEM VII

Update by Dan'l Hall, Vaughn & Melton

Cliff Latta was in attendance for Mr. Hall and supplied the update.

1. **Millard Curve Line Relocation –DOT Project**

Mr. Latta stated that there is a pre-construction conference on this project this Friday. Hopefully with the weather that will get it kicked off and get construction started. Mr. Potter stated that this project is a DOT relocation project. They are going to take Millard Curve out and you have a 10" ductile iron main line that runs through that location that has to be moved out of the way.

2. **Majestic Alternative Sewer Project**

Mr. Latta stated that there is meeting on this project on Tuesday with the land company and he is very hopeful that it will be productive and move this project into a different gear. For the new Board members, the difficulty in this project is that the land company controls eight of the nine sites that were targeted and we were at their mercy and with the dynamics in the mining industry right now, they have hopefully isolated all of the sites that they can make work. He inquired if there were any questions. Mr. Potter stated that another of the issues with the Majestic Project is that you are dealing with two different governmental agencies that see what kind of viable options you have for sewer. You are working through the Department of Public Health who have their regulations set through the Health Department and you are also working with the Division of Water. Basically the Division of Water is charged with regulating anything that hits the stream; and Public Health with anything that is sub-surface. So we had to do a site evaluation to see who will be applicable for each resident to what agency depending on what requirements they would meet and that was a very long process to start with. They have had two or three meetings with Division of Water on this project and it has been a difficult process. Commissioner Casey inquired if we have determined what kind of sewer system is going to be used over there. Mr. Potter stated that is what we are trying to determine through each agency. "Will you let me do this here?" And they'll say "Well let us look at it" and they'll wait six months and say "No, you can't do that". Commissioner Hurley inquired if this is the only project over there. Commissioner Casey confirmed that as correct. Mr. Potter stated that this is the same project but a new approach to sewer. Acting Chairperson Blackburn confirmed that they have no sewer service right now. Mr. Potter confirmed that as correct. Mr. Latta stated that the treatment they are proposing takes up a pretty good footprint and in this terrain you are limited on a lot of that. Mr. Potter stated that the way the money was given by the Legislature, it did not say for sewer; It said for "Alternative Sewer Treatment Options". So you can manipulate that and can go back to the Legislature and ask but they were looking for something outside of what a conventional system would be like an aeration station or regular treatment plant. We had to work within their parameters to try something different or something that is not utilized often. Commissioner Hurley inquired how many customers this project would have. Mr. Latta stated that he thinks it was about 156 or 157. Mr. Potter stated that this project may be a combination of different technologies to make it work.

Update by Tim Campoy, Environmental Design Consultants

1. **Cabin Knoll/Scott Fork DOT Relocation Project -**

Mr. Campoy stated that this is a new bridge project at Meta by the DOT. The shop drawings were submitted by G & W the last week of February. They have met with Mr. Sawyers and Mr. Potter and got some comments and sent them back to G & W and are still waiting on some final shop

drawings to come from G & W. There have been plenty of weather issues so they would not have been able to get started anyway. They are expecting the revised shop drawings within the next week and once they are approved they can start on construction. This is the second one up at Meta. We moved the lines at Scott Fork last year. For this one, there is a booster pump station right beside the bridge and a new PRV has to be put in. So they have to come out of the booster pump station and cross the road up into Cabin Knoll and put the PRV station there and then come out and cross the creek and road and tie in and get to the tank on Bent Mountain. That one is just the water line only but is fairly complicated. A lot of things have to happen in a fairly tight spot. The DOT covers all of the cost. Commissioner Hurley inquired if it is just a pass through Mountain Water District. Mr. Campoy stated that there is an item for some administrative expenses on this but all of their fees are covered by the DOT and all of the construction. Depending on how they want to do things, like Mr. Spears pointed out at Scott Fork, they bid that water line relocation completely separate from the bridge, but up at Cabin Knoll, they put it together with the contract. The same contractor is doing both of the bridges but they didn't put it together like that. The one at Virgie is going to be set up separate also because they want to go ahead and get the money available to do the relocation well ahead of the bridge work. Mr. Sawyers stated that he thinks probably the reason why that one was included at Cabin Knoll because of the relationship of the booster pump station to the bridge that way the contractor could address that issue first. Commissioner Hurley inquired if Mountain Water has been in control to how it is being put in. Mr. Campoy stated that they are required in the contract to construct according to the District's specifications and we have an inspector on site during the work. Mr. Potter stated that it is to be done by their specs and our specifications. Sometimes they overlap ours and usually ours are more stringent than what they require. Mr. Sawyers stated that we have an adoption policy that they have to go by. Mr. Campoy stated that they do a certification at the end of the job that it has all been done in accordance with the standards and submits that back to the Board.

2. **KY 610 – Virgie Bridge DOT Relocation Project –**

Mr. Campoy stated that this is also a new bridge project and relocation of both water and sewer lines. At the February meeting the Acting Chairperson for that meeting signed the DOT contract so it is in Frankfort to be signed. They have their first engineering invoice to be signed by the Acting Chairperson today so they can take it back and get it into the system with the DOT. They are now working on design drawings for the project.

Update by Stephen Caudill, Bell Engineering

1. **Deskens Curve Line Relocation**

Mr. Caudill stated that this project is a DOT Relocation Project is being done to facilitate construction and improvements to the road at Deskens. This project is out for bid. We had a pre-bid meeting last Wednesday and will be opening bids on this project later today at 2:00 pm. Commissioner Casey inquired when he thought they would actually start work on the project. Mr. Caudill stated that they will attempt to go ahead and start the water line portion of the project. They will review the bids and make a recommendation for award. As soon as they are able to do that, they will go ahead and get the water line relocation started as soon as possible. It looks like later this year they will be letting the road project itself. But they don't know exactly when that will be at this time.

2. Marshall's Branch DOT Relocation Project -

Mr. Caudill stated that the preliminary design for this project is completed and has been forwarded on to the Transportation Cabinet along with the Engineering Services contract for their review. He anticipates their approval on that shortly and they can move forward on design plans thereafter. He inquired if there were any questions. There were none.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. Awarded Projects:

- Douglas WWTP Upgrade Project – Mr. Hunt stated that this project, for the new Board members, upgrades existing plant at Douglas. It will expand the plant up to the capability of treating 300,000 gallons per day with exercise basins in there to allow the dropping of new membranes to treat approximately 400,000 gallons per day. They are currently in the advertisement phase of the equipment selection and that is in coordination with the Belfry Sewer Project. They had discussed in previous meetings and decided to use the same technology at both plants. The advantage to that is that you have the same equipment at both plants and the ability for the workers to interchange equipment and things of that nature and it has a smaller footprint, which was also needed with the acquisition of the property at Belfry for the proposed plant due to the coal mines and their requirements for a settlement pond that can't be removed. The advertisement has been completed, an internal review has been done and thought it would be prudent to have MWD's attorney review it as well. There was a meeting on Monday afternoon to review that and there was some wording that he wanted added in to that contract to make sure the District is protected and the advertisement will basically hold the material suppliers feet to the fire in case something that would happen that no one expects, so we are making those changes now. As soon as that is complete, they will advertise that in the paper.
- Phelps/Freeburn WWTP Upgrades & Rehabilitation Project – Mr. Hunt stated that they are doing several things at this plant. They are adding a screen to a newly proposed chlorine chemical building, changing the UV disinfection out to a chlorine disinfection and adding a sludge press to press the sludge that comes out of the plant, and adding some telemetry and computers to the building itself to help the District maintain and operate the system in a much more efficient rate. This project is under construction currently and we have had issues with getting materials delivered on site. Some of these materials were promised months ago but are now coming in. The contractor is working diligently. By way of a history, the bids came in a little high. We didn't have enough funding for that, so we negotiated with the contractor and he lowered his bid price to enable the District to be able to do this project to maintain compliance. The contractor does have a pay request on this agenda and the contractor currently has the sludge press set, he has been working on the electrical supply, working on getting the lights wired in, the building for the chlorine and the screen is constructed but they have been working on the electrical and plumbing for that. The contractor has been working last week and this week on the sludge transfer pump station which is basically a valve vault. The next phase to complete is the plumbing inside the chemical building and the electrical work. Due to the weather and equipment delays, the contractor has asked for another additional sixty (60) days extension which needs to be approved. Commissioner Hurley made a motion to approve

a sixty (60) day contract time extension for H2O Construction for the Phelps/Freeburn WWTP Upgrades Project due to inclement weather and equipment delivery delays. Commissioner Casey seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-008

- Belfry/Pond Sewer Project Update – Mr. Hunt stated that they have discussed this project under the Douglas Project. Mr. Hunt stated that also, regarding the Douglas Project, he spoke last meeting about the SRF funding, that meeting was cancelled due to the weather. They do have a revised schedule now and that meeting will be on April 2nd at 1:00 pm. Mr. Sawyers stated that the Kentucky Infrastructure Authority Board will approve that on that day. That is our State Revolving Fund and will at .75%. Mr. Hunt stated that they also do offer principal forgiveness. Commissioner Hurley inquired how much it will be for. Mr. Sawyers stated that we have \$700,000 in place for the project and the total project cost is around \$3,000,000. There is a chance they may forgive a portion of that but he doesn't know how much. They gave us an example that they did a project for \$1.2M and forgave them for half of it.
- FEMA BPS Mitigation Project – Mr. Hunt stated that this project addresses two underground booster pump stations that are very old and experience frequent flooding in the spring months especially. We applied for funding for this with FEMA and have been approved for over a million dollars for the replacement of these existing underground stations. We are abandoning these and building above ground pump stations that will have an elevation above the 100 year flood line. That way we won't experience this frequent flooding that causes the District to be unable to serve customers in the Kimper area and even all the way to the Phelps area. Mr. Potter stated that we found some money that was available for FEMA mitigation after the last flooding in 2010. We identified two sites that had been impacted by flooding. It has taken 3 ½ to 4 years to get this going and that is how things work with FEMA. Commissioner Blackburn inquired where these were located. Mr. Potter stated that one is at Johns Creek Railroad as you turn down Meta on the right and the other is at Meathouse of Kimper. These will be constructed on two better locations close to where they are now but out of the flood plain. We had to prove that they had been impacted so many times within a time frame and we keep that information and did that. You are getting over \$900,000 to replace those with new technology and above ground. Commissioner Blackburn inquired if that will pretty well cover the cost. Mr. Potter confirmed that as correct. Mr. Hunt stated that there is match that is required on FEMA funding. Mr. Potter stated that it is around 12% that the Board would need to match, but you are getting a million dollars for about \$120,000. These were stations that were on his list to the Board for replacement or upgrades anyway. Commissioner Blackburn inquired if any of the savings on the construction would come back to the District. Mr. Hunt stated that any savings on the project...say we bid the project and it comes in \$100,000 less, you are still required to do that 12% match. If the match right now is considered to be \$100,000, if the contract isn't at the ceiling we estimate, you only have to match the contract amount. Any savings would not come back to us. With regard to the pump stations, they actually took a trip up to Wisconsin and visited the factory that they make these new pump stations in, and reviewed their systems. The pump stations they have selected and spec'd out is what the District would like to see. Of course, we list it as "or equal" when we spec it out. These booster

pump stations are state of the art. They have telemetry, generators, heating and cooling, VFD for power consumption efficiency, etc. and are really nice. Commissioner Blackburn inquired if there is tank with them now that is in the ground. Mr. Potter stated that both of these are currently in the ground. They are an 8 or 10 foot diameter metal can that is 8 feet tall in the ground with a sump pump in it. Since about 2006 or so, anything the District has put in has been above ground. A pump station in the ground is a hole waiting to get water in it. These are similar to the pre-engineered station put in at the mouth of Abner Fork on the Feds Creek Project. Mr. Hunt stated that the design is complete and they are getting ready to send that to the Division of Water for permits. They anticipate sending that out in the next week or so.

- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that this project is under construction. There are no pay requests on this agenda due to the contractors not being able to work due to the weather and waiting on delivery of equipment. All of the main line is 95% complete. The contractors have to come back and make some main line connections and the contractor is also waiting on equipment to be delivered. They still need to do sign ups in the area to see which customers are interested. Once sign ups are complete, then they will go out and set the meters for the customers who want the water. Mr. Sawyers stated that he needs to know a week or two prior to them getting their equipment in so he can do the sign ups. Commissioner Blackburn inquired how many new customers we can anticipate. Mr. Hunt stated that he thinks it is around 30 total. It is scattered here and there. The District is 98% served with water and there are little small hollows and side lines that still don't have water and that is what this project addresses for Magisterial District #2.

Mr. Sawyers stated that with regard to the Belfry Pond Sewer Project, they are working with RD on funding and BSADD is working with Jody Long on that also.

PROJECT DRAWS:

Acting Chairperson Blackburn requested a motion to pay the draws as presented contingent upon funding agency approval. Commissioner Hurley made the motion. Commissioner Casey seconded the motion.

FEMA BPS RELOCATION

Summit Engineering	FEMA Funds	\$ 6,118.00
\$6,118.00	Engineering Services	

PHELPS FREEBURN WWTP UPGRADE PROJECT

H2O Construction	Coal Severance Funds	\$ 45,980.85
\$45,980.85	Contract Construction	
Summit Engineering	Coal Severance Funds	\$ 5,121.75
\$5,121.75	Engineering Services	

BELFRY POND SEWER PROJECT

Summit Engineering	Coal Severance Funds	\$ 10,480.00
\$10,480.00	Engineering Services	

VIRGIE BRIDGE DOT RELOCATION PROJCT

EDC, Inc.	DOT Funds	\$ 6,645.00
\$6,645.00	Engineering Services	

Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-009

MANAGER / ADMINISTRATOR REPORT

1. **Janet Charles** – Mr. Sawyers stated that this item has already been addressed and taken care of.

Mr. Sawyers stated that with regard to the Douglas Project they are currently working on the funding through the SRF. They gave him and phone call and email in regards to the Greasy Creek Booster Pump Station; to fill out an application for replacing it. This is another BPS that is in the flood plain that has issues. They are agreeable for us to proceed with SRF funding for that if the Board is interested in doing so. We worked up numbers before but they are older numbers. We believe it will be around \$350,000 to redo it. Considering having it relocated and putting the line in, it could run in the \$400,000+ range. Commissioner Blackburn inquired if that was a loan. Mr. Sawyers stated that it was SRF funding like he talked about a few minutes ago where you are looking at a rate of .75% with possible principal forgiveness. Mr. Hunt inquired if they were asking for a formal....Mr. Sawyers stated that they are asking him to go ahead and proceed with the loan application. Mr. Hunt stated that you can proceed with the loan application all the way up to signing for the loan and you still don't have to accept it. Mr. Sawyers stated that it would be a black eye if you went that far and didn't accept it considering so many are fighting for the funding. Mr. Potter stated that in conjunction with this, if you look at the first sheet of the next item on the agenda, the Capital Asset Plan, the Greasy Booster Pump Station is listed there for replacement. It is at the mouth of Dry Fork going up in to Greasy Creek.

2. **2015 Water and Wastewater Capital Asset Plan** - Mr. Potter stated that this is the asset plan that he presents to the Board after an operational review of the District's equipment, infrastructure, etc. This is what he is recommending, over the course of the next time period, to

be replaced. There is line here, water storage tanks, PRV vaults, and then the line replacement is the historic areas and what we have run into with line leaks and those kinds of things. This is the asset plan and he presented it in the operational meeting and we go over a lot of the things we've discussed. Two Board members are chosen to be on the Ops Committee and two are chosen to be on the Financial Committee. He reviews all of these issues in the Ops meeting with those Board members on that committee and that way we don't have to go through all of this unless a Board member has a question. These are the items he recommends and has asked the Board to look at how they want to fund or move forward with the replacement schedule. Mr. Stratton inquired who the Board members were that are on the Operations Committee. Mr. Potter stated that John Collins was on the Operations Committee andMr. Stratton stated that we need to replace that. Mr. Potter stated that he believed that they voted amongst themselves the last time who would be on what committee. Mr. Stratton inquired who was on the Financial Committee. Mr. Potter stated that Commissioner Casey and Commissioner Friend is on that committee. Acting Chairperson Blackburn inquired if the Chairperson goes between the meetings. Mr. Potter stated that Mrs. James sort of floated between the two meetings. Mr. Stratton inquired if that is something that needed to be decided today or if it can wait until the next meeting. Mr. Potter stated that it can wait or if in time that any of them want to....He does the Operational Meeting and Mrs. Hatfield and Mr. Spears do the financial meeting. Acting Chairperson Blackburn stated that it makes sense to him to rotate people through each one; spend a couple of meetings in the operational side and then a couple in the finance side. Mr. Potter stated that he welcomes anybody that comes in. Mr. Stratton suggested that they take a month to think about it and come back to the next meeting and make that decision. The Board agreed. Acting Chairperson Blackburn inquired if this is a 6 or 7 year roll out plan. Mr. Potter stated that it is 1-5 years and is based on current conditions. That doesn't mean that one of them may not pop up tomorrow and have to be moved up, but is a 1-5 projection on both water and sewer. This Greasy station is on the list and was to be scheduled to be replaced anyway. Acting Chairperson Blackburn clarified that Mr. Sawyers has the ability at this time to apply for funding for that. Mr. Sawyers stated that is correct, if the Board will give him the authority to do that, yes. Acting Chairperson Blackburn stated that basically if the Board says "yeah, we want to apply for it" they are going to expect us to follow through with it. Mr. Potter stated that is pretty much true. They review hundreds of projects submitted to the Big Sandy Area Development District and the District is fortunate enough that they were selected to apply for the funding. Acting Chairperson Blackburn inquired if this location was another one of the subsurface stations. Mr. Sawyers confirmed that it is. Mr. Potter stated that it is about 25 feet from the creek and is a low lying elevation. It is not a good scenario to have a concrete or metal vault in the ground with water running through it, you have corrosion issues, etc. You also have issues with compliance with OSHA confined space policies when it is underground that don't apply with above ground stations. Acting Chairperson Blackburn stated that in the event that we get the funding, we would have to come up with at least \$325,000. He thinks it is good that they go ahead and explore it. Commissioner Casey agreed. After further discussion, Commissioner Adkins made the motion to authorize Mr. Sawyers to proceed with the SRF funding application for the Greasy Creek booster pump station. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-010

3. **Winter Storm/Flood Update** — Mr. Potter stated that there is going to be a preliminary damage assessment. We don't know when FEMA is coming out in the field but they will accept two time frames for damages; February 15-22 and March 4-7. We have to have all of our assessments in for the damage that occurred and the cost to repair it or what it will cost to repair it permanently.

Some of the items are still temporary because the water hasn't gone down or whatever. We have to have all of that in by Friday to Doug Tackett with 911 and he will coordinate with FEMA. There will be a webinar tomorrow and Ms. Olson and he is going to attend it, and Mr. Sawyers if he is available, talking about how to proceed with it if the declaration is made, how to apply for the money, what hoops you need to jump through and proper procedures. Mr. Spears stated that it will not be a quick turn-around. We got money as late as 8 years later. Mr. Potter stated that the stated has to reach the action level of the counties affected before the Federal level will consider letting us apply for Federal funding.

4. **Phelps Athletic Complex Update & Contract Approval** – Mr. Sawyers stated that the Board approved to proceed with the contract at the meeting last month and he is getting ready to do the advertisement for it, but it has to be run in the paper. Commissioner Casey inquired if that is for the water and sewer. That was confirmed. Mr. Sawyers stated that one of the two things that have hindered us with getting it advertised so far is our involvement in this rate case and trying to get all of the paperwork out for it. Commissioner Casey inquired if we recovered the grinder units in that. That was confirmed that we did on that. Mr. Sawyers stated that we had a few more for that second phase they had on the upper end. The other item that hindered them on the advertisement was that they are looking at putting a large drain in and we may have to relocate for that. He will get it advertised in the paper hopefully by the weekend or by Wednesday of next week. Commissioner Hurley inquired where the relocated lines are that are needed for the drain would be. Mr. Sawyers stated that there is some sewer up there closer to Bones Branch in that section of houses and we would have to dead cap some water and a few things like that. Commissioner Hurley inquired how long we have to advertise it. Mr. Sawyers stated that seven days is the minimum. Commissioner Casey inquired if that is the drain coming out of the hollow there on the old campus. Mr. Sawyers stated that Commissioner Hurley is more familiar with that area than he is...Commissioner Casey inquired if it was where that old house used to be in that hollow behind the band room there. Commissioner Hurley stated that where he is talking about relocating at is about middle ways of the project there is a big drain coming through there going out to the creek and that is where they are planning the relocation.
5. **Nexcheck On-Line and Phone Payments** – Mr. Sawyers stated that they may need to table this until Dan Stratton gets back. Mr. David Stratton stated that there are some issues that need to be negotiated that Dan needs to speak to Mr. Sawyers and Mr. Lowe about so we can table that until next month. Mr. Sawyers stated that right now our Customer Service personnel takes the phone payments. Mr. Lowe stated that our customers can pay their bill on-line through our web site and they can pay by phone but our employees have to take every one of those payment by phone and we are averaging about 2,500 phone payments per month at four to five minutes per phone call. This Nexcheck thing would make that phone system automated. The customer could just enter their account number without having to talk to somebody. Commissioner Blackburn inquired what the cost would be. Mr. Lowe stated that there is a once-time fee of \$250 for them to set it up, and when the customer calls in to pay they would pay this company, Nexcheck, a fee for paying through them. They pay a fee now, as well, but.....Commissioner Casey stated that if it is only going to cost us \$250 to get the automated system, he thinks that is a no brainer. Mr. Sawyers stated that they will discuss and fine tune that and bring it back to the Board in April. Mr. Lowe stated that plus, this would allow them to pay on line or by phone with a check, something which we do not offer at this time.
6. **Rate Review/Case Update** – Mr. Sawyers stated that Mike Spears stated about this a bit ago when he said we had our last two submittals in. We submitted it yesterday. They will review that and there will be an informal meeting on April 2nd at 1:00 pm and will proceed from there.

Mr. Potter stated that by way of discussion of the MOR is that we have a new sewer inspector. He was the District's DOW Regional Inspector previously, but moved to another area and they are relocating him back here now and his name is Lee Pigman. He performed two standard compliance inspections last

month. For the new Board Members, a lot of your wastewater stations are over thirty years old. The Board adopted some plants in trailer parks years ago. They are metal and are deteriorating. He has not written a violation on some of the older ones, but he is tracking a trending violation on some of them. He thinks it is not going to be long before the Division of Water is going to come and say "give me a plan on replacing this". Commissioner Casey stated that we have a lot of old infrastructure. This trailer park across the road was adopted by the Board from the owners years ago. Keene Village is being tracked for a trending violation because of drainage issues. They put it in a hole so every time it rains you get infiltration. The Board is going to have to hydraulically redo the whole station. Mr. Pigman has not written us up but Mr. Potter stated that he foresees that coming in the future. They will want an action plan and time frame on how you are going to replace it, when, and those kinds of things. Commissioner Hurley inquired if we bought new plants, what would they be made of. Mr. Potter stated that he would go with concrete because metal is a corrosion issue and you have to continually strip it and paint it. You can get a concrete one that will last substantially longer. He wanted to make the Board aware, the Board can look at the rest of the information but we did some paid taps. It has slowed way down. The growth is basically done. This is just people moving to newer areas that have bought property. The meter testing program results are there; along with sales, payments made, etc. The first of the month and end of the month is very hectic here. Our standard sampling is also on the back page. We are required to do 50 samples a month but we always do a couple more than required. We have always done that as a check and balance against us. The special samples are the boil water samples we do. Any time there is a boil water we always pull those. This just lets you know how much sampling is being completed. He inquired if there were any questions on this portion. There were none. Acting Chairperson Blackburn requested a motion to approve the Manager/Administrator Report as presented. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-011

NEW BUSINESS

1. Southern Corrosion Contract - Town Mountain Tank

Mr. Stratton stated that Dan Stratton has been negotiating and working on that contract and it will be ready for discussion at the next Board meeting.

2. Signature Authority – New Board Members

Mr. Stratton stated that he has that and a resolution is need for the new Board members to sign checks. Commissioner Casey inquired if that was all that the motion needed to include. Mr. Stratton stated that we need to have a Secretary, Treasurer, Chairperson, and Vice Chairperson. We now have an Acting Chairperson; for next month's meeting, he would recommend that they be prepared to select a Chairperson, Vice Chairperson, Secretary if you want to and Treasurer. All of them. Acting Chairperson Blackburn inquired if they could possibly have a meeting by phone to discuss this ahead of time. Mr. Stratton stated "no". Mr. Sawyers stated that you could call a special called meeting. Mr. Stratton stated that the Board members need to sign these papers for signature authority. There are also Conflicts of Interest statements that need the new Board member's signatures and they need to review the vendor list for any conflicts and disclose those if applicable. Mr. Spears also stated that the new Board members salary is \$300 per month until they get their training in. Mr. Stratton stated that we need to pick a date for their orientation and he would recommend that they pick some dates and get with Dan Stratton and Mr. Sawyers

to set a date and time. Commissioner Casey made a motion to authorize the new Board members to act in full authority as the rest of the Board, including signing checks (by signing the Signatory Authority Documents) and documents as needed. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Absent (Stepped out of the meeting during this vote)
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-012

Mrs. Hatfield stated that we will have to redo all of our signature cards for all of our accounts and the bank is currently working on that. She just texted her and said that she needed titles, so she doesn't know if that is going to be an issue or not. Mr. Sawyers stated that it will have to wait until next month then. Mrs. Hatfield stated that she is working with a lady there and has given her a list of all of the accounts that need to be updated and she will prepare all of the necessary paperwork and she will bring them to the next meeting.

3. Legal Issues

Executive Session to Discuss Outstanding Litigation and Potential Litigation -

1. Williamson Wastewater Contract

Mr. Stratton stated that there is no further update on legal issues at this time so there is no need to go into executive session.

COMMISSIONER COMMENTS

Ms. Nancy Taylor inquired if the Board would take a couple of more questions or comments. The Board agreed. Ms. Taylor inquired if Bob Meyers, someone who was mentioned earlier, is one of her former classmates at Johns Creek School. Mr. Potter stated that he highly doubted it because he is from Louisville and came to us by way of Floyd County. She inquired how you spell his name. Mr. Potter stated that it is Meyer, M E Y E R. Ms. Taylor inquired if any of our contracts have to do with Bent Branch General Partners or Swinge Camp General Partners. Mr. Potter stated that he believed they handled gas not water lines. Ms. Taylor inquired how about anything going from Coal to Liquid Plants that has been recorded over the last three or four years. Several responded "not that they know of". Ms. Taylor thanked the Board and left the meeting.

Acting Chairperson Blackburn inquired if there were any further Commissioner comments. There were none.

ADJOURN MEETING

Commissioner Casey made a motion to adjourn the meeting. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-03-013

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

April 29th, 2015
10:00 AM

ATTENDEES

Brian Morris, Deputy Judge Executive, PCFC
Nancy Carolyn Taylor, Resident
Mark Meade, KY AML
Cheron Robinson, Resident, Dorton
Sheree Robinson, Resident, Dorton
Chelsea Hatfield, Resident
Jack Hughes, Attorney, MWD
Chris Anderson, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Cliff Latta, Vaughn & Melton
Jamie Noe, Vaughn & Melton
Stephen Caudill, Bell Engineering
Tim Campoy, EDC, Inc.
Mike Spears, Spears Management
Dan Stratton, Stratton Law Firm
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER

AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, April 29th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Commissioner Kelsey Friend, III
Commissioner Prentis Adkins
Commissioner Ancie Casey
Commissioner Michael Blackburn
Commissioner Eddie Hurley

Dan Stratton, Attorney for the Mountain Water District, stated that the first order of business for the Board is the election of officers. The positions needed to be filled are the Chairman and Vice Chairman for the District and at this time he requested nominations for the position of Chairman. Commissioner Friend nominated Ancie Casey for the position. Commissioner Adkins seconded the nomination. There being no further nominations for Chairman, Mr. Stratton requested a motion to close the nominations for Chairman. Commissioner Blackburn made the motion and Commissioner Hurley seconded the motion. Mr. Stratton inquired if there was any opposition to that. There was none. Mr. Stratton requested a motion to approve Ancie Casey for the position of Chairman. Commissioner Blackburn made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Kelsey Friend, III	Aye
Commissioner Prentis Adkins	Aye
Commissioner Ancie Casey	Aye
Commissioner Michael Blackburn	Aye
Commissioner Eddie Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-04-001

Chairman Casey requested a motion for the Vice Chairman position. Commissioner Hurley nominated Michael Blackburn for the position. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Kelsey Friend, III	Aye
Commissioner Prentis Adkins	Aye
Commissioner Ancie Casey	Aye
Commissioner Michael Blackburn	Aye
Commissioner Eddie Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-04-002

Mr. Stratton stated that we now have an opening for the Secretary position with Chairman Casey's change to the position of Chairman. Chairman Casey nominated Eddie Hurley for the position of Secretary. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Kelsey Friend, III	Aye
Commissioner Prentis Adkins	Aye
Commissioner Ancie Casey	Aye
Commissioner Michael Blackburn	Aye
Commissioner Eddie Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-04-003

VISITORS **AGENDA ITEM II**

Chairman Casey thanked everyone for coming and stated that with that business concluded, we will get on with the meeting. He inquired if there were any visitors that wished to speak. He then directed them to come up one at a time and state their name. Nancy Taylor stated that the lady next to her has asked her to speak for her. Her name is Chelsea Hatfield and she has come from Blackberry. Ms. Hatfield stated that she has a problem with her water bill. When it was off everywhere, they sent her a water bill for \$98 and she wasn't using "city" water. Didn't even get any water from the fire department. They had been hooked up on coal bank water and are still hooked on it. A man came out and checked it and told her it was good water so they were using that. He told her if she opened the lid on the meter and there was air going through the meter it would go up. Her bill was \$98 and her neighbor's was \$22. Ms. Taylor stated that she said she had already talked to someone at the office and they told her to come to the meeting. Chairman Casey inquired from Mr. Potter, Manager, if this had been checked out. Mr. Potter stated that he wasn't familiar with her issue and inquired where she lives. She stated that she lives at 3420 Left Fork of Blackberry Road. Ms. Olson inquired if the account was under the name Curtis Hatfield. Ms. Hatfield confirmed that as correct. Chairman Casey inquired if they had checked for any leaks or any problems at the residence. Ms. Hatfield responded "no, we don't have no leaks". Commissioner Blackburn stated that he believes it is the same kind of situation we heard at last month's meeting with when the water went off, the air was pushed through the meter. Mr. Potter stated that is possible in certain locations. Chairman

Casey stated that Blackberry was one of the last areas to have water restored after the storms. Mr. Potter stated to Ms. Hatfield to let him investigate the situation and hold off disconnection or anything...Ms. Hatfield stated that she has a cut-off date for today....Mr. Potter stated that we would hold that and investigate the location and see if there were any items that would have attributed to that with the water going off and coming back on. In certain locations there is a possibility of that. He will look at it and see if an adjustment is needed due to operational issues and if it is, one of the office staff will contact her and we'll make the adjustment as needed. Ms. Hatfield stated that if you can't fix it back down, you can come and get the meter. Mr. Potter stated that we would be in contact with her and that we would not disconnect the account at this point until we resolve the issue. Ms. Hatfield stated that the meter is still off. Chairman Casey stated to Ms. Hatfield that the guys will go out and check that and he appreciated her coming today. She thanked the Board and left the meeting.

Chairman Casey recognized Cheron Robinson. She stated that she is here on behalf of Arvid Mullins who got a water bill of over \$3,000. They were being told that they had a constant leak when they didn't even have the water on. Chairman Casey inquired where this was located. Ms. Robinson stated that it was at 1345 Dorton Creek. Commissioner Adkins inquired how much the bill was. Ms. Robinson replied that it was \$3,300 for one month. Ms. Olson inquired what the name was on the account. She replied that it was Arvid Mullins. Ms. Robinson stated that she was told that this issue was brought to your all's attention last month. Several Board members stated that they were not aware of the issue. Mr. Potter stated that he would look at this one also. He did not hear about this last month and he apologizes for the delay, but he will have it checked out. Ms. Robinson stated that she was threatened last week that it would be turned off and she came in and paid \$80 to make sure it wasn't. Mr. Potter stated that they would check it out. Ms. Olson stated that probably what we need to do right now to take it out of the system is to do an installment billing where you don't have to do anything as far as payment right now, but it will take you out of the system for disconnection until we resolve it. Mr. Potter stated that he needed a contact number. Ms. Robinson gave her phone number. She stated that she was also told to bring the person who worked on the water for almost three months to get it fixed and also a water bill and receipt from Lowe's. Ms. Olson inquired if there was a leak there. Ms. Robinson stated that there was a leak there initially and that is why it was turned off completely. Mr. Potter stated that he would check it out and she was directed to the billing department to get the installment billing done. She thanked the Board and left the meeting.

Chairman Casey recognized Mark Meade with the Kentucky Division of Abandoned Mine Lands and he stated that he was here to present the Mountain Water District with an MOA in the amount of \$500,000 for the construction of water lines from Raccoon over to Jonican Creek. Mr. Sawyers stated that this was the Pompey/Ridgeline Road Project. We already have approximately \$900,000 awarded through mining mitigation and this \$500,000 will come from AML. We are working on getting another \$500,000 from ARC also. Mr. Meade stated that this MOA needs the signature of the Chairman and returned. There is also a note there that you have to check one or the other there and you get to keep what's clipped and he needs this back when it is signed. Mr. Stratton, MWD Attorney, inquired what he meant to check one or the other. Mr. Meade stated that it is for if you have any violations with employment or that sort of thing. Mr. Meade stated that on this particular water line, AML will only be funding the pump station, the tanks, the pump station rehabs and the line along Ridgeline Road, not into Upper Pompey. That is for the other money. Mr. Sawyers stated that they appreciate AML's award of this project. Chairman Casey confirmed that as correct and stated that they appreciate his coming here and particularly for helping out with project.

Chairman Casey recognized Danny Bowling. Mr. Bowling stated that he is from Buskirk and he was sent a bill for \$70 for 19 days. He checked and doesn't have a leak. He has checked it hourly, every 3 hours, and in 24 hours and there is not a leak and his bill is double. He lives by himself. He lives in Hampton, VA also and he is here working on the house here. Chairman Casey stated that he can see the history on his account that he uses around 2,000 gallons. Mr. Bowling stated that he has called and got no satisfaction. He went ahead and paid and then they told him he had to come over here to this meeting to get something done about it. He had to drive from Matewan, WV (Buskirk Area) all the way over here to get something done. He tried to tell them that it ran air through the lines for almost three hours when the water came back on and this bill was for 19 days. No way with no leak that it doubles. Chairman Casey inquired if he was sure that he didn't have a leak during that time. Mr. Bowling stated that he was sure. He checked it for multiple time periods and it never moved. Mr. Sawyers inquired what the address was. Mr. Bowling stated that it was 59 Bowling Road, McCarr. Chairman Casey stated that Mr. Sawyers has

the address and that Mr. Potter will check it. Mr. Bowling stated that he kept trying to get someone to come over and check it and no one ever did. Chairman Casey stated that he knows that Mr. Bowling is aware that the District has been through a tough situation since about January with all of the bad weather and everything that has happened. Mr. Bowling stated that he knows that when the water is off and then comes back on they get a lot of air through the lines and air pressure will run the meter up. Mr. Potter stated that he will check the situation and where he is operationally and see what they can do. Mr. Bowling stated that the bill was for 19 days and the District charges more after the first 2,000 gallons and his next bill will be for more days. He stated that one time he will get billed for 39 days and then it might be 20 days and the next time it might be 30 or 31 days. Anytime it goes over 2,000 gallons you are going to charge me a lot more rate. Mr. Potter stated that he thinks our reading cycles are pretty standard but he will check into it. Chairman Casey stated that we will let Mr. Potter go and check it and if there is a problem we want to make it right. Mr. Bowling thanked the Board and left the meeting.

Chairman Casey inquired if there were any more visitors. Nancy Taylor stated that she is a visitor but she is just here to observe. Chairperson Casey stated that they are glad she came. There were no further visitors that wished to speak.

APPROVAL OF MINUTES **AGENDA ITEM III**

Chairman Casey requested a motion to approve the minutes of the regular meeting held on March 25th, 2015 as presented. Commissioner Blackburn made the motion to approve the minutes as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-04-004

Mr. Stratton stated that he had checked over the MOA for the Ridgeline/Pompey AML Project and it is fine. They just need a resolution to approve it. Commissioner Blackburn made a motion to approve the MOA as presented for the Ridgeline/Pompey AML Project. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-04-005

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears stated that for the month of March, cash in bank was \$355,200. Accounts receivable was \$985,289. Plant in place was \$138,724,829. Accounts payable at the end of the month was \$1,341,166. Equity position is \$79,675,262. Revenues for the month were \$797,004 and that is up about \$80,000 from last month. Part of that is to be expected because water usage should start increasing. A big part of it is due to leaks during the bad weather. We will see some adjustments come in higher than normal in the coming months. Revenue for the year so far is \$2,737,791. Utility Operating Expenses were \$938,516 and \$2,843,426 year to date. The loss for the month was \$173,085 and \$700,697 year to date. Included in the loss is depreciation of \$271,779 and \$815,338 year to date. The current operating income is negative in the amount of \$141,512. Cash decreased for the month in the amount of \$53,308. The current operating account balance is \$88,241 as of the end of March. We have made the appropriate transfers to the KIA and RD. Current balances are now \$714,750 and \$725,078 respectively. Those are reserves that we set aside for depreciation and repair and maintenance of the system. We have made the transfers to sinking fund for our bond payments as well. Commissioner Blackburn inquired when the due dates were for the bond payments. Mr. Spears stated that they are due June 1st and July 1st which are interest only, the ones due December 1st and January 1st are principal and interest payments. \$55,000 that is transferred in there every month is so that when those come due, we don't have to worry about having the money, because it is already in there. Regents Bank also automatically drafts an RD loan payment every month and it is \$30,000 to \$40,000 coming directly out of the account. Commissioner Hurley inquired if what we owe UMG is included in this also. Mr. Spears stated that the UMG payments are including in this and really the only other thing we have under accounts payable are the electric bills that come at the end of the month and the repair and maintenance bills. Commissioner Blackburn inquired if there is a back up in there with the accounts payable. Mr. Spears stated that there is not. Commissioner Blackburn stated that he wanted to come to the meeting this morning at 9:30 but couldn't get away in time. He inquired on the depreciation, what is the basis for that...is it on 30 or 40 years? Mr. Spears stated that history they have done mains at 40 years which is the big item. During this rate study, they have said they want us to go now to 62.5 years but that has not been finalized. It is based on a 40 year life. He stated that he could get Commissioner Blackburn a detailed depreciation schedule that shows all of the assets. Commissioner Blackburn stated that he would like to see that. He inquired what the schedule is for pumps in service. Mr. Potter stated that it is typically 5 years. Some duty lives are shorter duration because of the amount of time the pump operates. It varies on the pump station size and operating cycle on some of them. Mr. Spears stated that he has a guide that they referred him to for utilities. It was done in 1985 so you wonder how good it is. He can get them a list of the water and sewer assets and the detailed depreciation schedule. It is about 30 pages so he didn't include it in this monthly summary. Chairman Casey inquired if there were any other questions regarding the financial report. There were none. He requested a motion to approve the financial report as presented. Commissioner Blackburn made the motion to approve the financial report as submitted. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution 15-04-006

Chairman Casey recognized the Deputy County Judge, Brian Morris, who was in attendance today. He stated he was glad to have him at the meeting representing the County Judge's office and appreciate him being in attendance.

PAYMENT OF BILLS

AGENDA ITEM V

Mrs. Olson distributed copies of the AP report, the Cash in Bank report and the vendor payment list to the Commissioners. Chairman Casey requested a motion to pay the bills as presented and reviewed in the finance meeting. Commissioner Hurley made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-04-007

CUSTOMER ADJUSTMENTS

AGENDA ITEM VI

Commissioner Casey stated that they were looking for the adjustments to increase due to the bad weather and this number is higher than usual. Mr. Potter stated that there will be this one and some will carry over to the next month. Commissioner Blackburn inquired if these were all from water outages and line breaks and that sort of thing. Mr. Potter stated that these are usually on customer sides and the paperwork they bring in will be showing they had a line leak from freezing and those things. The process is that we use a formula the PSC allows us to utilize and is in our tariff, if they provide verification of a leak. Commissioner Blackburn inquired what the formula is. Mr. Lowe stated that basically we figure their average for three months prior to the leak occurring and see how much of the leak for each month was over their average usage. Anything over the average we can adjust. We don't adjust it all off. We take the number of gallons over the average and bill it at a reduced rate of \$3.60 per thousand gallons, instead of the normal rate of \$7.01 per thousand. Commissioner Blackburn clarified that there is no one time forgiveness of a bill. Chairman Casey stated that you can have one adjustment per year. Mr. Potter stated that the customer can have one adjustment every 12 months under this process. There is no complete forgiveness on a customer leak. Mr. Lowe stated that we can adjust up to 3 consecutive months. Chairman Casey commended Mr. Lowe for his job on explaining that. Mr. Potter stated that some of these adjustments may hit next month because you don't know when the billing cycle hit where a customer has a leak so we usually recommend for them to wait for the next cycle after they have fixed their leak to see if they've got it all and then we work back with them to get it corrected. Mr. Sawyers stated that we also do water adjustments based on infrastructure failure but it just depends on the situation. Chairman Casey requested a motion to approve Customer Adjustments in the amount of eleven thousand, five hundred and twenty-four dollars and thirty cents (\$11,524.30) as presented. Commissioner Blackburn made the motion to approve the customer adjustments as presented. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-04-008

CONSTRUCTION REPORT

AGENDA ITEM VII

Update by Dan'l Hall, Vaughn & Melton
Cliff Latta was in attendance for Mr. Hall and supplied the update.

1. Millard Curve Line Relocation –DOT Project

Mr. Latta stated that there was a pre-construction conference on this project and the contractor indicated that they would begin the project sometime in May. There may be an issue with bats there, but regardless, the District's interest in it really won't come into it until the latter stages of the project.

2. Majestic Alternative Sewer Project

Mr. Latta stated that they did meet with Alma Land a few weeks ago and they have agreed to a site. They have also agreed that if the test comes back that we can use it, they will consider deeding the land over to us with a couple of stipulations. And now it is just a process of getting the testing done to see if it has the potential to work and move forward. Chairman Casey inquired how long we are looking at for this project. It has been going on since he has been here. Mr. Potter stated that unfortunately, the process is working with two different agencies; the Division of Water and the Department of Public Health. The regulations for both of them were probably made in the fifties and not updated. Most of the stuff seems to be applicable to flat land areas, so it is going to be a process. We will have to identify the areas we think are applicable, then approach either/or to see what they will allow us to do in the area and if we can get any variances. It has been a process and he is not sure how long it will take. It is one of those things where you are trying to change a governmental agency's perception on how to do sewer in a region that is not like the Lexington area. Mr. Sawyers stated that since it is an alternative sewer project, it makes the process a little slower. Mr. Potter stated that we are trying to find available land and resources. Chairman Casey confirmed there is not a lot of that up through there. Mr. Potter stated that if we are going to do a perk type system or a drip type system, that falls under the purview of the Department of Public Health. If we try to do a stream discharge, that puts you under the Division of Water and having to meet their criteria and everyone is still kind of wary on what to do with alternative system because conventionally we just don't have the land space in the area to do anything. He has had meetings over the last three years with department heads of Division of Water and Department of Public Health; they have been on site, done samples to try to prove that the creek in the Majestic area has been impacted by ecoli. We are changing perception in our region and it is going to be a process. This is not going to be a cut and dried easy project. It is probably going to be a collage of different technologies and different approaches to get the whole area and it is going to be rather expensive. Chairman Casey stated that he knew we are very limited in a lot of the area with properties being right next to each other, but he would like to get this going and see some progress on it. Mr. Latta stated that another issue is that we are having someone to donate us land and we have to work around each mining plan and with the mining industry haing a whole bunch of shifting about how people approach them. The company has graciously agreed to the promising site and if it works for us, that will be a good thing as well. Mr. Potter stated that we will keep on it and not give up, but it has been a process. Mr. Latta stated that we are now jumping through the hurdles but this will benefit other areas with the Division of Water and the people to get used to this type of process. Mr. Potter stated that hopefully this will be a model for other areas similar in nature to Mountain Water District's geography here in Pike County. There is not a good answer for a mountainous area of how to deal with sewer.

Update by Tim Campoy, Environmental Design Consultants

1. Cabin Knoll/Scott Fork DOT Relocation Project -

Mr. Campoy stated that this is a new bridge project at Meta by the DOT. On April 22nd, G & W got them the final shop drawings which are approved and back to them. They indicated that this week they would be ordering their materials for the project. They are looking at 3 to 4 weeks of them having everything in and actually starting with construction on the water line relocation.

2. KY 610 – Virgie Bridge DOT Relocation Project –

Mr. Campoy stated that this is also a new bridge project and relocation of both water and sewer lines. There were two sets of plans prepared for the Division of Water; one for the water relocation and the other for sewer. Those are completed and in to the Division of Water and it has been confirmed that they have them and are in review. In the meantime, the engineer is working on the bid documents for that job. Mr. Sawyers stated that they also got their agreement back regarding this project from the DOT and he will provide Mr. Campoy a copy for his files.

Update by Stephen Caudill, Bell Engineering

1. Deskins Curve Line Relocation

Mr. Caudill stated that this project is a DOT Relocation Project and is split into two parts; the line part and the tank part. Bids for both parts were opened last month. Bids for the line portion of the work were opened at the MWD office on March 25th. Six bids were received and interest was very high on the project. The low bid was submitted by H2O Construction of Pikeville, Ky. in the amount of \$514,026.00. They have been in business since 2001 and have done many similar projects. After the bid opening the bids were reviewed, mathematically checked and tabulated and a copy of the recommendation for award letter should be in your packet. After the bid opening, the KYTC requested that H2O temporarily relocate a portion of the water line at the Deskins Curve in order to facilitate removal of a slide that was impacting the road. KYTC would like to pay H2O for this work by a change order to this contract in the amount of \$25,100. Both the original contract amount and change order is just a pass through to the District. This is money that is actually being provided by the KYTC. They have discussed this project with H2O Construction and EDC believes that they will construct both the contract as bid and the change order as outlined and would recommend that the Board award the project to H2O Construction. Chairman Casey requested a motion to approve the award of the Deskins Curve DOT Line Relocation portion of the project to the low bidder, H2O Construction. Commissioner Hurley made the motion. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-04-009

Mr. Caudill continued and stated that with regard to the tank portion of the project, bids were also opened at the MWD office on March 25th. Only one bid was received from Kentucky Glass Lined Tank Systems of Lexington, Ky. in the amount of \$421,720.08. That bid has also been reviewed, mathematically checked and tabulated and a copy of the recommendation letter for award has been provided. Kentucky Glass Lined Tank has been in business since 1986 and has done many

similar projects to this. They have discussed the project with them and believe that they will do well on the project also. Mr. Stratton inquired if that was within the engineer's estimate on what that should cost. Mr. Caudill stated that it was about \$15,000 over but was within a couple of percentage points. Chairman Casey requested a motion to approve the award of the tank portion of the Deskins Curve Project to the low bidder, Kentucky Glass Lined Tank. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-04-010

Mr. Sawyers stated that he had the utility relocation agreement for the Marshall's Branch Project that the Board, pending Mr. Stratton's review, needs to approve. Chairman Casey requested a motion to approve the Marshall's Branch DOT Relocation Project agreement with the Department of Transportation based upon legal counsel recommendation. Commissioner Blackburn made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-04-011

2. Marshall's Branch DOT Relocation Project -

Mr. Caudill stated that the project design has been revised per comments received from the KYTC and they have also reviewed and approved the contract for engineering services. They will be revising the plans and circulating them. For final review, it is submitted to the Division of Water.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. Awarded Projects:

- Douglas WWTP Upgrade Project – Mr. Hunt stated that they are in the advertisement phase of this project. They just received approval from the Division of Water to go ahead with the advertisement. They are currently coordinating with Mr. Stratton and the PSC for that advertisement and Mr. Stratton will let them know what steps they need to take to make that happen. Mr. Stratton stated that because this is a loan, we have to get PSC

approval and we are in the middle of a rate application and trying to figure out the best way to apply for that.

- Phelps/Freeburn WWTP Upgrades & Rehabilitation Project – Mr. Hunt stated that the contractor is working on the final connection for the screen, the chlorination system, a sludge transfer pump station and the sludge press. Lately the contractor has been working on replacing the sleeves for the fine bubblers on the plant. The contractor is still waiting for some key equipment that has been ordered for months now. His goal was to finish up by the end of May. He is trying to make sure that happens. He has called the vendors and raised cane with them trying to get their materials in. The engineer told the contractor that he would inform the Board that he was still having trouble getting materials in, but he is getting really close and is still shooting for having the project done by the end of May. He has worked out there even through the rain when he could work inside the plant building.
- Belfry/Pond Sewer Project Update – Mr. Hunt stated that this project coincides with the Douglas Project. It is packaged together with the Douglas on the advertisement so as soon as they get the clarification from Mr. Stratton they will get that in the paper.
- FEMA BPS Mitigation Project – Mr. Hunt stated that the plans are complete on this project and they anticipate advertising for bid on this project this month and will coordinate with Mr. Stratton to see what days he is available that we can have the bid opening in his office for this project also.
- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that the contractor is complete with the main line project. He is starting the service connections next week. They are in the process of getting sign-ups on the project. The contractor has indicated that he is still waiting on delivery of his pump station and is calling and checking on those this week.

Mr. Sawyers stated that with regard to the Douglas WW Project, Mr. Hunt and Mr. Potter attended the KIA meeting and this project loan was approved at that meeting and a conditional commitment letter has been received. He had mentioned to the Board about principal forgiveness on some of these projects, but looking at the project it is based on ranking and this one didn't meet the ranking standard for principal forgiveness. We still get the loan at .75 percent and we have a conditional commitment letter here ready for signature to accept the loan. He would assume it would be upon Mr. Spears and Mr. Stratton's review and approval. Mr. Stratton stated that the only condition we have is PSC approval. He will follow up on that. Chairman Casey requested a motion to approve the conditional commitment agreement with KIA for the loan for the Douglas WWTP Upgrades Project upon Mr. Spears' and Mr. Stratton's review and approval. Commissioner Blackburn made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-04-012

PROJECT DRAWS:

Chairman Casey requested a motion to pay the draws as presented contingent upon funding agency approval. Commissioner Adkins made the motion. Commissioner Friend seconded the motion.

PHELPS FREEBURN WWTP UPGRADE PROJECT

H2O Construction	Coal Severance Funds	\$ 116,347.79
\$116,347.79	Contract Construction	
Summit Engineering	Coal Severance Funds	\$ 7,316.78
\$7,316.78	Engineering Services	

DOUGLAS WWTP UPGRADES PROJECT

Summit Engineering	Coal Severance Funds	\$ 8,927.62
\$8,927.62	Engineering Services	

VIRGIE BRIDGE DOT RELOCATION PROJCT

EDC, Inc.	DOT Funds	\$ 10,388.20
\$10,388.20	Engineering Services	

DESKINS CURVE DOT RELOCATION PROJECT

Bell Engineering	DOT Funds	\$ 8,149.00
\$8,149.00	Engineering Services	
Bell Engineering	DOT Funds	\$ 4,672.50
\$4,672.50	Engineering Services	
H2O Construction	DOT Funds	\$ 22,590.00
\$22,590.00	Contract Construction	

Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-04-013

Mr. Potter stated that with regard to the Douglas Project, they want to go ahead and get the ad process going so we can be further along with the pending review if you accept to do that. He thinks he has an ad ready and DOW has approved it for the technology. Chairman Casey requested a motion to approve to advertise for bid for the Douglas WWTP Upgrades and Belfry Pond Sewer Project pending review. Commissioner Blackburn made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-04-014

Mr. Hunt stated that he also needed approval to bid the FEMA Mitigation Project as well. Chairman Casey requested a motion to approve to advertise for bid the FEMA Mitigation Project. Commissioner Hurley made the motion. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-04-015

MANAGER / ADMINISTRATOR REPORT

1. **Winter Storm/Flood Update** – Mr. Potter stated they were contacted by Doug Tackett about 2 weeks ago that FEMA is adding April 2-19th in the declarations for the flooding. Mrs. Olson went through and prepared damages during that time. There were several crossings that were washed out in the Big Creek area. He has those temporary right now. We are going to put those back together to get back to normal operations. We are in the neighborhood of about \$120,000 for all three scenarios. That includes plant issues, lines out, plant production down time, chemical usage and those kinds of things. He has talked to the Deputy Judge and the Judge yesterday and he still hasn't heard anything about the declaration...Mr. Morris stated that FEMA was in yesterday and went around the county looking and hopefully we will hear more about it soon. Mr. Potter stated that so far that is what it is, and it is not all of the permanent replacement that has been done. If they do an award then we can go through and start and that permanent replacement number will go up. Some of these things he will have to go ahead...if FEMA don't declare, he will have to get us back in normal operations and that will probably hit on the O & M or R & M. We have to get back to standard operations. We are trying to hold a little bit to see what they are going to do but he needs to proceed in case other issues happen he can move water different directions and get it back to normal operations. Mr. Stratton inquired what he said was the total again. Mr. Potter stated it is about \$120,000. The first event was about \$85,000 - \$88,000 range. And the others came up to about \$35,000. We have had some issues with power that has caused some damages at the water plant. He has to replace a PLC rack. AEP has also had issues with

slides taking out power poles and those types of things and we are still assessing some of those issues. He will try to put what he can on that, if not it will have to go on R & M. We had a phasing situation at the water plant where we lost a leg of power that came in and out. We lost some motors, some programmable logic control racks. There is not a lot we can do about that. He has asked Mr. Sawyers to make a claim with AEP after he gets the final dollar amount of those issues, and we'll see how that goes.

We did our regular sampling and did the sampling on the relocation and assisted getting the water shut down at Deskins Curve to get that temporary so they could fix the road over there. It should start pretty soon over there. He attended the water council meeting the other day. He and Mr. Sawyers had made some issues and were talking to some of the other attendees at Big Sandy ADD regarding the process of prioritization. It is skewed in favor of smaller entities that seem to get high priority ranking. They briefly discussed it at the meeting before this one how that process needs to be streamlined and the new Judge in Floyd County, Ben Hale, set a committee and put him, Prestonsburg's Mayor, a representative from Prestonsburg water works and a couple of other people to review the process with KIA and BSADD to try to make it a little more fair and see what we need to do on the priority process to make it more across the board for all entities. So he will be doing that on their behalf. The truck that we ordered to replace the one that was totaled should be in by the end of the month.

2. **Nexcheck On-Line and Phone Payments** - Mr. Sawyers stated that they are going to table this issue for now and bring it up next month.
3. **Williamson Wastewater Contract Update** – Mr. Sawyers stated that we still haven't gotten the contract signed yet and we are still trying to clarify some issues with regard to billing there.
4. **Wildwood Lane Extension Update** – Mr. Sawyers stated that we are basically doing a short line extension for Magistrate Bobby Varney. We are awaiting some quotes with regards to directional drilling and have to submit a right of way easement to be approved. This is located at the Stone Lodge on US 119. Mr. Potter stated that he has gotten a quote the other day. He will try to contact someone else, but there are not a lot of directional drillers around here. They are backed up due to the flooding but we will get it in as soon as we can.
5. **Pompey/Ridgeline Road AML MOA** – Mr. Sawyers stated that Mr. Meade already made his presentation. Once again, we appreciate them for their work.

Chairman Casey requested a motion to approve the Manager/Administrator Report as presented. Commissioner Blackburn made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-04-016

NEW BUSINESS

1. Southern Corrosion Contract - Town Mountain Tank

Mr. Stratton stated that the Southern Corrosion Contract Amendment is still in negotiations and we had previously entered into a contract with them to paint and perform maintenance on all of our tanks. Because of cash flow issues we had to agree with them to postpone that. What they have asked for is to do one tank and continue on with that. What we have agreed to do is to propose to the Board for approval of them to do Town Mountain tank, which is a very visible tank, and we would pay them the price of repairing that tank over a time period of about 90 days. He doesn't have the exact price but it was in the original contract. It was 1/3rd of the work at the start of the work, 1/3rd in 30 days and the balance 30 thereafter. Commissioner Blackburn inquired how many they had done already. Chairman Casey stated that they have done several throughout the county. Mr. Sawyers stated that he believes they had done approximately 12. Mr. Spears stated that we had a repair and maintenance grant that we used for two years of the contract. Commissioner Blackburn inquired what the price of the work was. Mr. Stratton stated that it was in the original contract. They priced everything by tank and had a schedule. Mr. Sawyers stated that he thinks it was around \$50,000. Mr. Stratton stated that they didn't change the price from the original quote that is about three years ago. Commissioner Blackburn inquired if that was all exterior work. Chairman Casey stated that it was inside and outside. Commissioner Hurley inquired if that was just for one tank. Mr. Stratton stated that it is for the big tank on Town Mountain Road. Mr. Sawyers inquired if they stated that in the details of the contract; we need to make sure. Mr. Stratton stated that he would. It says that it is subject to the terms of the original agreement. Mr. Sawyers stated that we need to confirm that they are going to do interior and exterior on that. Mr. Stratton stated that he would. This is one tank out of the original contract and letting them do that during this pause in the work due to our cash flow issues. Mr. Potter stated that basically they evaluate the tank and some tanks just needed an exterior painting and some needed interior painting. They did an evaluation and looked inside. One year you may do 6 exterior and two interior tanks and then you might have seven tanks that need wash out/cleanouts but not interior painting. Commissioner Hurley inquired if that was an all steel tank and if they sand blast and paint. Mr. Sawyers confirmed that. Nancy Taylor inquired if that was a glass lined tank. Mr. Potter stated that Town Mountain is not. It is steel. Commissioner Hurley inquired how long a glass lined tank is good for. Mr. Potter stated "a long, long time". That is why he worked with Steve Caudill to try to ensure that the Board got a glass lined tank for replacement at Deskins Curve. There is virtually no maintenance on a glass lined tank. The life expectancy is much longer. Steel tanks, like anything metal, needs maintenance. Glass lined is the way to go if you can afford it. The price has dropped on glass lined and the price of steel has gone up which makes them competitive now, but it didn't used to be that way. Commissioner Hurley inquired if we had looked at any liners for them. Mr. Potter stated that he has but the retro fit on them would be quite expensive. He has seen limited success with some but it depends on who you talk to and they all say their product is the best. The Board now has three glass lined tanks in the system and Deskins will be the fourth. Chairman Casey requested a motion to approve the work on the Town Mountain tank. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-04-017

2. Legal Issues
Executive Session to Discuss Outstanding Litigation and Potential Litigation -

1. Negotiations with Attorney General's Office Concerning PSC Rate Case

Chairman Casey requested a motion to go into Executive Session to discuss outstanding litigation and potential litigation as listed on the agenda. Mr. Stratton stated that he requested that Mike Spears, Roy Sawyers and Jack Hughes remain for the session. Commissioner Blackburn made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-04-18

Chairman Casey requested a motion to reconvene regular session. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-04-019

Chairman Casey stated that in executive session they gave a directive from the Board to their three professional negotiators to continue the negotiations with the parties necessary with regard to the rate increase case.

COMMISSIONER COMMENTS

None.

ADJOURN MEETING

Chairman Casey requested a motion to adjourn the meeting. Commissioner Adkins made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-04-020

**MOUNTAIN WATER DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING**

**May 27, 2015
10:00 AM**

ATTENDEES

Julia Roberts, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Cliff Latta, Vaughn & Melton
Stephen Caudill, Bell Engineering
Tim Campoy, EDC, Inc.
Mike Spears, Spears Management
Dan Stratton, Stratton Law Firm
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, May 27th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Commissioner Kelsey Friend, III
Commissioner Prentis Adkins
Commissioner Ancie Casey
Commissioner Michael Blackburn
Commissioner Eddie Hurley

VISITORS AGENDA ITEM II

Chairman Casey inquired if there were any visitors who wished to speak. There were none.

APPROVAL OF MINUTES AGENDA ITEM III

Chairman Casey requested a motion to approve the minutes of the regular meeting held on April 29th, 2015 as presented. Commissioner Adkins made the motion to approve the minutes as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-05-001

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears stated that for the month of April, cash in bank was \$321,769. Accounts receivable was \$940,238. Plant in place was \$138,950,391. Accounts payable at the end of the month was \$1,334,924. Equity position is \$79,492,023. Revenues for the month were \$693,218 and for the year is \$2,931,009. Utility Operating Expenses were \$935,245 and \$3,778,672 year to date. The loss for the month was \$273,676 and \$974,373 year to date. Included in the loss is depreciation of \$271,779 and \$1,087,117 year to date. The current operating income is negative in the amount of \$242,027. Cash decreased for the month in the amount of \$33,431. The current operating account balance is \$45,098 as of the end of April. We have made the appropriate transfers to the KIA and RD. Current balances are now \$724,358 and \$736,418 respectively. We have made the transfers to sinking fund for our bond payments as well. Mr. Spears stated that he probably will not be in attendance for the June meeting but will give the financial statements before he leaves. Mr. Spears stated that we have bond payments due June 1st and we need to get those approved also. This is the reason we put \$55,000 into the sinking fund each month so that when these bond payments are due we have the money to pay them.

Chairman Casey inquired if there were any other questions regarding the financial report. There were none. He requested a motion to approve the financial report as presented and approve the payment of the bond payments due June 1st, 2015. Commissioner Adkins made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-05-002

PAYMENT OF BILLS AGENDA ITEM V

Mr. Lowe distributed copies of the AP report, the Cash in Bank report and the vendor payment list to the Commissioners. Chairman Casey requested a motion to pay the bills as presented and reviewed in the finance meeting upon availability of funds. Commissioner Hurley inquired who John Hughes is. Chairman Casey stated that he was the attorney that was here and reported to the Board last month with regard to the rate increase request. Commissioner Hurley inquired if we are now four behind to UMG. Mrs. Hatfield stated that we paid them one last week that covered from March 16th through March 30th and they are looking to pay another the first week of June. Chairperson Casey confirmed that as of right now we are four behind. Mrs. Hatfield stated that as of right next Tuesday we will be four behind so we will actually be paying one a few days after that. Mr. Spears stated that the way this works is that we pay the R & M and utilities and we are reimbursed from UMG. If we are behind a payment, then they are behind a payment to us, because they don't reimburse up until we pay them, which is understandable, but part of that is why the cash flow gets out there and Mrs. Hatfield has to keep those vendors...Commissioner Hurley inquired if out of that three hundred and some thousand that we pay UMG, part of that is maintenance and we get back forty some thousand. Mrs. Hatfield stated that including both R & M and utilities it would be anywhere from \$140,000 to \$150,000 per month that we get back from UMG. Mr. Spears stated that \$47,000 of R & M and the cost of utilities is reimbursed back to the District by UMG upon receipt of our payment to them. We do this because if UMG paid the bills, we would be paying sales tax since they are not an exempt organization and we are. We are not allowed to pay sales tax even if they pay it. We couldn't pay them for that. He stated that utilities run about \$85,000 to \$100,000 per month and the R & M is anywhere from \$35,000 to \$55,000 per month. Mr. Potter stated that we use nearly a million kilowatts every month. Commissioner Hurley inquired how many grinder stations we rebuilt a month. Mr. Potter stated that it is 50 to 70 per month. Commissioner Hurley inquired if the numbers had been run to see if we would be better off just buying new ones because they have a 5 year warranty. Mr. Potter stated that

we have run the numbers several times throughout the years. Mr. Spears stated that we signed an agreement with Wascon back in August to buy 150 over a period of 9 months and they would give us a really good terms on them. Commissioner Hurley inquired how much a new one is. Mr. Potter stated that a new one is roughly about \$1,000. Commissioner Hurley inquired how much it is to rebuild one. Mr. Potter stated that it can run anywhere from \$325 to \$475 with an average of \$450. We keep a record of the rebuilds on the pumps, the location they come from, and use a rule of thumb breakpoint. If its not worth rebuilding it is junked. Mr. Spears stated that is something that we talked about with this rate study is that it will be part of the plan. He believes MWD needs to implement a plan to replace so many on a rotational basis to get them back into a warranty situation. Commissioner Hurley stated that he would like to see them try to switch that over especially in some of these areas and have a lot less grinder stations. Mr. Sawyers stated that we have began some replacements but until we get through this and get to where we can start replacing a bunch, it will be a slow process. Commissioner Hurley stated that he is aware that there is not a simple fix. Mr. Spears stated that Wascon gave us about a 30% discount on their terms. Chairman Casey inquired if there were any other questions. There were none. Chairman Casey requested a motion to approve the payment of the bills. Commissioner Hurley made the motion to approve the bills as presented upon availability of funds. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-05-003

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

Commissioner Casey stated that they were substantial this last month. Mr. Potter stated that the billing cycles come a month behind so these are later leaks and we give up to a three month adjustment within a rolling 12 month period. There may be a couple more we may get. He knows that Pike County Housing has inquired for the Phelps Senior Housing complex, they developed a substantial leak, we notified them and they requested our assistance if possible to look for it and he is going to try to let the leak detection crew go and help out momentarily to help the fiscal court. We have the ultra sonic flow meter and the EODs and we'll see what we can find. Commissioner Blackburn inquired if these were from March. Mr. Lowe stated that they could be anywhere from February through April. Mr. Potter stated that if they got that 3 month adjustment for that period. There will still be a carry over for the next Board meeting or two for the March area because they can go March, April and May and next month we would be doing those. Chairman Casey stated that they usually run about \$7,000 to \$8,000 per month on average. Chairman Casey requested a motion to approve Customer Adjustments in the amount of twenty-nine thousand, one hundred and twenty dollars and twenty-five cents (\$29,120.25) as presented. Commissioner Friend made the motion to approve the customer adjustments as presented. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-05-004

CONSTRUCTION REPORT

AGENDA ITEM VII

Update by Dan'l Hall, Vaughn & Melton
Cliff Latta was in attendance for Mr. Hall and supplied the update.

1. Millard Curve Line Relocation –DOT Project

Mr. Latta stated that there has not really been any change in the project since last month. The part that the District is involved in won't happen until next year so he will skip it.

2. Majestic Alternative Sewer Project

Mr. Latta stated that Alma Land has agreed to let us use some property in the event that it proves to be acceptable and they are working with the Pike County Health Department in an effort to have it tested for them. Mr. Potter stated that he actually spoke to Robert Helvey with the health department yesterday and he said the next two weeks is pretty hectic but he will get this on the schedule and do what we need to do.

Mr. Potter stated that with regard to Millard Curve, they are going to cut through first and try to leave our line existing and then lay the new line and do the tie overs and then they will work on the other side. Chairman Casey inquired when they will actually start on moving that material. Mr. Latta stated that he isn't sure. They were supposed to start around this time but there was some concern about some bats in the area. Mr. Potter stated that AEP has been working on transferring their power lines and he believes they have wrapped that up recently. Mr. Sawyers stated that there is a possibility that they may start after school goes out. Chairman Casey stated that he has been waiting a long time for this because there was a serious bus accident there with a lot of kids hurt and a bus driver was hurt also.

Chairman Casey inquired if there were any further questions for Vaughn and Melton. There were none.

Update by Tim Campoy, Environmental Design Consultants

1. Cabin Knoll/Scott Fork DOT Relocation Project -

Mr. Campoy stated that G & W just started work on this project yesterday and we are looking at two to three weeks with decent weather. Hopefully by the next Board meeting he will be reporting that it is done.

2. KY 610 – Virgie Bridge DOT Relocation Project –

Mr. Campoy stated that this is also a new bridge project and relocation of both water and sewer lines. There were two sets of plans submitted to the Division of Water on April 20th and they are still waiting on their response which is typical time frame. In the mean time they have been working on the bidding documents. Those should be wrapped up today and once we have those and got DOW approval back, DOT is ready for us to move forward bidding out the job. Hopefully, between now and the next meeting we will have the approval from the DOW.

Update by Stephen Caudill, Bell Engineering

1. Deskins Curve Line Relocation

Mr. Caudill stated that they have gotten permission from the highway department to use H2O and Kentucky Glass Lined Tank. Those contract documents have been sent to the contractors and they are getting their paperwork done and getting their performance bonds submitted. As soon as they get them back they will submit to Dan Stratton for final review, execute them and go ahead with setting the pre-construction conference and start construction on this project. Chairman Casey inquired if they will be taking a slice through that mountain or taking it all. Mr. Caudill stated that they will be taking off a big part of it. It will be a cut through. There will still be a little bit left on each side. Mr. Sawyers inquired what the tank schedule looks like right now for them to begin that part of the contract. Mr. Caudill stated that as soon as they get started it should begin almost immediately. Mr. Sawyers stated that he got a call in regards to power set ups for both locations.

2. Marshall's Branch DOT Relocation Project -

Mr. Caudill stated that the project design is complete. The plans and specifications are done and the DOW package is ready for submittal and they will be sending that out next week for final review and then on to the DOW.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. Awarded Projects:

- Douglas WWTP Upgrade Project – Engineer is currently in the preliminary design phase of the plans and specifications. The re-advertisement documents have been advertised. The opening of the bids is scheduled for June 5th. Mr. Hunt stated that they did an extension to bidding period and changed it to June 5th due to questions from bidders. This coincides with the Belfry Sewer Project so both will open on the same day. Chairman Casey that the \$3.1M grant funding was for that facility only. Mr. Hunt confirmed that as correct. Chairman Casey inquired if those bids were out yet. Mr. Hunt stated that they were not out yet for construction. Mr. Potter stated that they have to do this technology selection first. Mr. Hunt stated that they will get the Board those submittals when they are in and will set down and go over what they found on that before we award and the equipment selection is done.
- Phelps/Freeburn WWTP Upgrades & Rehabilitation Project – Mr. Hunt stated that the contract has some final items and final connections to make. He had scheduled the start ups for June 2nd. The majority are scheduled for that day but he was told this morning by the inspector that one or two have cancelled already and the date has been moved on

them. So the contractor is trying to contact those companies back and tell them they can't cancel because we have to get this plant up and running.

- Belfry/Pond Sewer Project Update – Mr. Hunt stated that this project coincides with the Douglas Project and he already updated the Board on that one.
- FEMA BPS Mitigation Project – Mr. Hunt stated that they advertised this project for bid and bids were opened yesterday at Dan Stratton's office. There were 2 contractors that showed up for the pre-bid meeting and only 1 contractor submitted a bid and that was in the amount of \$900,140 by H2O Construction and it appears to be within our construction estimate and within the monies available for construction. This FEMA project, they made us break out the project in our application. They wanted it line by line, each little individual thing with the pump stations so there may be a little jostling back and forth with the state folks on that. He requested permission to award the bid contingent upon funding agency approval. Chairman Casey requested a motion to that effect. Commissioner Blackburn made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-05-005

- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that the contractor is still waiting on the pump stations to be delivered. It is his understanding that those should be delivered sometime this week. They have not arrived on site to his knowledge as of yesterday. That is what is holding him up on this project.

Mr. Hunt stated that Mark Meade was here last month with AML when the Board signed a \$500,000 MOA on the Upper Pompey Section for Ridgeline Road. The coal company has given \$900,000 in mitigation for the Pompey project also. But that mitigation money needs to be send through a funding agency and they wanted to do that through AML. Chairman Casey inquired if that was the McCoy Elkhorn corporation. Mr. Hunt confirmed that as correct. Mark Meade has contacted Mr. Hunt and emailed him and he has the documents here and it is basically another MOA through AML that is mitigation money for the \$900,000. Mr. Spears inquired if that would be a separate budget because that would cause confusion for our auditors. Mr. Hunt stated that what they plan on doing when they bid that project, is to divide it up into contracts and we will have to treat it that way and see how we can divide it up. Mr. Sawyers stated that it will be a separate MOA. Mr. Hunt confirmed that as correct. He stated that he has given a copy of that to Dan Stratton for his review but he has probably not had time to review it yet. AML has asked him to go ahead and ask for permission of approval for signing the documents by Dan Stratton as well as Chairman Casey, subject to legal counsel review. Chairman Casey confirmed that is only pass through money. Mr. Hunt confirmed that as correct. Chairman Casey requested a motion to approve the execution of the MOA with AML for the coal company mitigation money of \$900,000 subject to legal counsel review and approval. Commissioner Hurley made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-05-006

Mr. Hunt stated that the last thing he has is a letter of support for the Marion Branch Water Line Extension Project. It will put a million gallon tank on top of the hill near Island Creek at Marion Branch to serve the future industrial park. They are working on the design for that project. They need an easement from the county on the right of way there where the main line will run up the hollow. The county has asked that we provide the necessary mapping and a letter of support from the Mountain Water District. They want to make sure the District approves this before they will grant an easement. This project will benefit approximately 7,250 MWD customers and will provide approximately 300,000 gallons of storage for the MWD and will provide service to residents at the end of Smiley Fork Road that are currently not served. It will also provide a backup pump station for the Indian Hills pump station. When you have high usage or a major issue there is excess water in that tank allocated for the District to serve those customers. Chairman Casey inquired if we have problems occasionally with the Robinson Creek area. Mr. Potter that the Robinson Creek and Shelby Valley areas have understorage during the summer months, or like we experienced recently, a freeze/thaw event. It is hard to keep water stored in that area where it has grown so much over the years. This was part of...he and Mr. Sawyers talked to them and said if they would make it a million gallons and let us have a 1/3 of it for additional storage, that would be great. Chairman Casey confirmed that this was for the City of Pikeville. Mr. Potter confirmed that as correct. There will be a master meter installed on that line coming off of that tank. Also, the pump station, in case MWD's Indian Hills pump station would have a failure, we have also put solenoid valves and different mechanisms in place where they can actually pump to our Island Creek and Shelby Valley tanks. It would help provide additional storage for the customers in that area in times of high usage or flooding. Mr. Stratton stated that there are 3 or 4 homes on Smiley Fork that would be city customers and not ours because we can't reach them. That would be the only concession on this project. Mr. Potter stated that all of the infrastructure will be maintained by the City of Pikeville, they are just working in conjunction with us. Their WTP and our WTP will have interlocks to know which pump stations are working. Chairman Casey confirmed that the language of the 300,000 gallons that we would have access will be in the formal document. Mr. Stratton confirmed that as correct. Chairman Casey requested a motion to approve the letter in support of the Marion Branch Project. Commissioner Blackburn made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-05-007

PROJECT DRAWS:

Chairman Casey requested a motion to pay the draws as presented contingent upon funding agency approval. Commissioner Blackburn made the motion. Commissioner Friend seconded the motion.

PHELPS FREEBURN WWTP UPGRADE PROJECT

H2O Construction	Coal Severance Funds	\$ 73,855.78
\$73,855.78	Contract Construction	
Summit Engineering	Coal Severance Funds	\$ 2,195.03
\$2,195.03	Engineering Services	

VARIOUS WATER LINE EXTENSIONS, MAGISTERIAL DISTRICT #2

Summit Engineering	Coal Severance Funds	\$ 1,056.23
\$1,056.23	Water User Agreements	
MWD	Coal Severance Funds	\$ 825.00
\$825.00	Reimbursement of Easements	

VIRGIE BRIDGE DOT RELOCATION PROJCT

EDC, Inc.	DOT Funds	\$ 8,500.00
\$8,500.00	Engineering Services	

BELFRY/POND SEWER PROJECT

Summit Engineering	Coal Severance Funds	\$ 10,480.00
\$10,480.00	Engineering Services	

FEMA MITIGATION PROJECT

Summit Engineering	FEMA Funds	\$ 8,740.00
\$8,740.00	Engineering Services	

Commissioner voting as follows:

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-04-008

MANAGER / ADMINISTRATOR REPORT

- 1. Nexcheck On-Line and Phone Payments** - Mr. Lowe stated that he has done a spreadsheet that compares our current provider for processing electronic payments to Nexcheck which we are currently working on and Mr. Stratton has been working with them on the contract. The first column is our current provider, The Neil Group, and it shows their fees to pay by phone with a credit card which is 2.27% plus \$.25. Compare that with Nexcheck which is 3% with a minimum of \$3.50. However, with Nexcheck we wouldn't have to have a representative on the phone with the customer. It would be an automated system. The feed would be a little bit more but he is estimating that will free up about 208 labor hours per month that our personnel could be performing other duties. They would also provide the customer with the ability to use an e-check which by phone would be a flat fee of \$2.00. On line the e-check would be \$1.50 so it would be beneficial for the customer to pay on line as opposed to using the automated system. The fee for setting the Nexcheck up would be \$250 to them and our billing software company estimates 2 hours of labor to change the software for about \$250, that comes out to about \$500 total one time fee for set up. Mr. Stratton stated that he has worked with Mr. Lowe and the Nexcheck people and his last report to the Board on this was that there were some issues in the Nexcheck contract that he wasn't real comfortable with. They have been able to negotiate enough of those out that he is comfortable with where we are. They have adopted a contract with those changes and have signed it so it needs the Board's approval if they so choose to go with Nexcheck. He believes that it increases the cost a bit but it gives more services. Mr. Potter stated that it also gives more options to the customers. Commissioner Blackburn inquired how much it will increase the cost. Mr. Lowe stated that this won't cost the District anything extra but the customer pays the fees. Commissioner Blackburn inquired how much, on average, would be the cost to the customer. Mr. Lowe stated that with the on line payments, any bill up to \$73.00 would be \$2.00 with a credit card with Nexcheck and right now on \$73.00 it is \$1.90. Mr. Potter stated that basically it gives the customers, at a cost, another option to pay. They can pay through e-check or on line by e-check which is not currently available through the District. The fee will be a little bit more for more service options. Mr. Lowe stated that customers can still mail in their payments, we have the drop box, they can still come in and pay it. Mr. Potter stated that we have had some inquiries from customers asking why don't we go to more on line payment processing. Commissioner Blackburn confirmed that those customers that mail in their payment or drop it off won't see any of this cost. Mr. Lowe confirmed that as correct. Mr. Potter stated that we currently do on line payments with a credit card now. He hates to admit it, but even though he comes here every day, he pays his bill from the house on line and pays the convenience fee. This will be offered for those who don't have a credit or debit card, they can use the e-check feature. Chairman Casey stated that he is glad to hear that it has been totally reviewed by legal counsel and they have answered and took care of our concerns. Commissioner Blackburn stated that we aren't forcing this on anybody. Customers still have options that will allow them to pay without the fees. Mr. Lowe stated that is true. If they want the convenience, they pay a little extra for it. Chairman Casey requested a motion to approve the contract with Nexcheck. Commissioner Hurley made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-05-009

2. **Wildwood Lane Extension Update** – Mr. Potter stated that this extension is in Magistrate Varney's area. We engaged a company to do the directional bore over there and they encountered rock and cannot get through it. We have contacted another contractor that has rock drilling capability. He is going to come and try to do that and once we get the bore across the road we will continue with that project. This is over near the Stone Lodge. Mr. Sawyers stated that the price will have to be readjusted because of the failed attempt at the bore and we have to retain another to complete the bore.

3. **FEMA Declarations – 2015** – Mr. Potter stated that we went to a regional FEMA meeting in Hazard and they let us go ahead and apply for all three events for February, March and April. The total is somewhere around \$140,000 for all three events. Tomorrow, he and Mr. Sawyers will attend the Pike County kick off meeting at the EOC. This will be a process and there will be plenty of meetings and we will start walking through that process for the Board. Mr. Sawyers needs to have the Board approved the Applicant's Agent resolution to turn in to FEMA. He is assuming the way it normally works is the Board Chair is the Agent representing MWD and Mr. Sawyers is the representative to do most of the other items and we will assist with that. The freeze was the big event with the replacement of frozen and busted meters. Commissioner Blackburn inquired if there has been a total or estimate of what we can recapture from FEMA. Mr. Potter stated that they will have to come and review each project and tell us what they will allow and disallow. There is usually a 12.5 % local match and that will be the District's part of whatever they decide to allow out of that money. There is some volunteer hours and other things that we can use to try to use to offset that and if we can find anything that will count toward the local match we will try to do that. Chairman Casey requested a motion to do the necessary Applicant's Agent Resolution appointing the Chairman as the District's agent to apply for FEMA relief. Commissioner Blackburn made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-05-010

Mr. Potter called the Board's attention to the rest of the MOR listed for their review with regard to taps, meter testing, credit card payments, bacteriological sampling, etc. Chairman Casey requested a motion to approve the Manager/Administrator Report as presented. Commissioner Friend made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-05-011

Commissioner Blackburn inquired if we could look at the Customer Complaint Summary real quick. He inquired if someone had a sewer complaint, would it fall under loss of service. Mr. Potter stated that it is just an overall summary but he can have it broke out. Commissioner Blackburn stated that he believes

there should be a separate column there for sewer complaints. Mr. Potter stated that they will break that out separately for next month.

NEW BUSINESS

1. Legal Issues

Executive Session to Discuss Outstanding Litigation and Potential Litigation -

1. Williamson Wastewater Contract Update
2. Update – Public Service Commission Rate Case Hearing

Chairman Casey requested a motion to go into Executive Session to discuss outstanding litigation and potential litigation as listed on the agenda. Commissioner Blackburn made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-05-012

Chairman Casey requested a motion to reconvene regular session. Commissioner Hurley made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-05-013

Mr. Stratton stated that there is nothing to report coming out of executive session.

Mr. Casey stated that at this time the regular meeting business has come to a conclusion but there will not be an adjournment as of yet. There are some orientations and some things that some of them are going to go over but the regular meeting is concluded. There will be a brief intermission at this time.

COMMISSIONER ORIENTATION

Introduction to the Mountain Water District
Grondall Potter, Manager

This is the introduction to Mountain Water District to the best of my understanding and research. There were actually, according to Wayne T. Rutherford, approximately 11 districts set up in Pike County at some time over the years. Only three of those, that I know of, had infrastructure when Mountain Water District was created in July, 1986. That would be the Shelby Valley, Marrowbone and Pond Creek areas all had some infrastructure. Those three entities were taken together and the rest of the other entities that didn't have any infrastructure were dissolved and Mountain Water District was created and incorporated those areas in 1986. Some of the infrastructure that you all have is from the 1970's in the Marrowbone area; Wolfpit, Graveyard, the old water treatment plant which is no longer used, a lot of the lines were put in from 1971 to 1977. Most of the infrastructure in the Pond Creek area was from the early to mid 80's and some of the lines actually put in and adopted where old coal company lines and some were redone later on. In the Shelby Valley area, that was in the mid to late 80's. At the time it was started there were approximately 1,600 service connections which translates into about 4,800 customers. Fast forward to today, you have approximately 17,500 service connections for water (and that fluctuates a couple of hundred on delinquents and those kind of things) and translates today to about 48,000 people. When I came here in 1997 there were roughly 7,000 customers so there has been a whole of growth. Some of the infrastructure that you all have is 35-40 year old range, some of it is the 20-30 year old range. It has just been in the last few years there was a growth push from the latter 90's to today. That would be some of the newer items that we have extended out into the District. Roughly there is 1,000 miles of main lines ranging from 2" up to 12" now. You have a water plant that is rated for 3,000,000 gallons per day and we average daily production around 2,500,000 to 2,600,000. MWD purchases water from the City of Pikeville and the City of Williamson. We purchase and/or produce somewhere around the 4,300,000 to 4,500,000 gallons range. It fluctuates seasonally with what is going on. You move about 120,000,000 to - 140,000,000 gallons per month or 1.7 billion gallons annually. That is a lot of water. We have 135 booster pump stations as of right now and 108 tanks. The electric bill for Mountain Water runs approximately \$85,000 to \$105,000 per month and that depends on off peak demand, what time of the year it is, and those kinds of things, so you are at about \$1,000,000 per year in power costs. You have water storage tanks which range in age about what he was talking about with the age of the lines. You have 42 pressure reducing zones and 27 master meters at locations throughout the county that we use to track water loss and consumption. That gives us an idea when we read those weekly, some on Monday, Wednesday, Friday and we track the trend on them based upon customer counts and consumption analysis that we do. That gives us an idea of where to start looking for issues. PRV's - Pressures in Mountain Water District run from 30 psi (which is the minimum for the PSC) to 315 lbs on Class 350 ductile iron. That is just due to the topography in the county. You all know this...we go from an elevation around Pikeville are down around Hurricane from 600' to 1700'. So the pressure differentials are extreme. This system is not really like any other on the east coast. The only one in Kentucky that compares in customer base size, unless you go to like Louisville, would be Hardin County. They have about the same amount of customers, but to put in perspective, they only have about 8 tanks and 6 pump stations so they do not have the infrastructure that MWD has. I have all kinds of listings of pump stations and their ages and tanks. Any of that information you would like to see, we can do that. You have about 27 fire departments throughout the county but you only have about 3 of them that regularly report their usage. We use the Public Service Commission's formula for estimating. We try to get them to report better. We have pump stations that range from pumping 10 gpm in very small areas where you have a small station, to the new 500 HP pump at the high service at the water plant. It will do 2300 gpm. Your major playing stations, you have 100 HP out in the system. We move somewhere between 500 to 700 gpm. We have about 6 of those. The majority of the pump stations that you have in the system are ones that are somewhere in the 200 to 300 gpm range and then the 50 to 100 gpm range. There are is all kinds of line in the old Marrowbone system. There is still asbestos cement line in that system and in most of that area there is still some class 160 thin wall pipe. That goes back to the age and infrastructure that I am recommending for replacement. These are some of the problem areas on leaks that we are continually finding in these zones. We are repairing and repairing but it is time, even on lines, to get them replaced to new standards. That is something that I know is a financial strain but that is what the Board needs to look at. You have built a nice house. 97% of the population of Pike County has available water. The whole county is yours except for the City of Pikeville city limits and the city limits of Elkhorn City and a little bit in the corner at

Williamson area that is Williamson's. You have built a good house, now it is time for maintenance; to put a new roof on, paint it...there is a lot of that to be done. There was massive growth that occurred throughout the years with relatively no maintenance. You have tanks that range from 1,000,000 gallons (Road Creek) down to 3,000 gallon skid tanks in the smaller areas. I have tried to do away with the plastic tanks. They have their own inherent problems with light shining through and algae growth so we have tried to get rid of those. We do at least 52 samples each month throughout the system to stay in compliance with our bacteriological sampling with the state. So far, we've been good. There are new requirements that you have heard me mention before with Trihalomethanes. A lot of these requirements have been lowered and the way to defeat them is going to have to be infrastructure improvements. Trihalomethanes and Haloacetic Acids will get to be an issue. We have had some out of compliances with the new ratio along with Pikeville and the majority of water systems throughout the state. You are talking about aerating tanks and inter-mixers which weren't even thought about 5, 10 or 20 years. Along with changes to environmental regulations and EPA regulations on water quality, we will have to be some reinvestment back into the system. I've done everything we can do operationally without putting new mechanical structures in place. We do flushing, we try to reduce our turnover time on our tanks, we look at the turbidity coming out of the plant, we look at total organic carbons. We try to balance it all and we try to maintain available storage and stay within the parameters. It is a balancing act but anything past that we may have to look at doing some other infrastructure improvements. Does anyone have any specific questions on the water system? Commissioner Adkins inquired if Marrowbone would be the first place to hit if you were going to run new lines. Mr. Potter responded that unfortunately he believes that in the Shelby Valley area...Chairman Casey inquired if the old line in the Marrowbone section is old asbestos. Mr. Potter stated that there is some asbestos cement still there. Everybody along the line here are Mountain Water District, prior administration all the way up through, there is mitigation money to replace this ac line and you get on a list. We have maintained on the list but there is other entities out there that are still way ahead of us. We are a relatively small rural area with 7 to 8 miles and you still have cities in the Midwest and other places that have miles and miles of this and they have more customers so they are higher on the priority. We do sampling for asbestos in our lines and we have been low under the EPA threshold on all accounts. Commissioner Blackburn inquired how that is measured. Mr. Potter responded that it is measured in long fibers per units. I think the max is 25 long fibers per liter or something and we have been to or below on all of our sampling in the time frame. Asbestos cement truthfully is a good line unless it is disturbed then you have issues with it. So far we have been pretty lucky. When it does break there is special things we have to implement. The guys have to wear basically hazmat suits if we cut into the pipe. It has to be bagged in so many bags of plastic and disposed of in a proper area. But some of the areas we were talking about on line replacements that I recommended, and I have PRV's and lines, we are talking about in the Dorton area, we have continual issues with going down Dorton Hill and I think that is due to it laying beside the four lane there. There is a lot of rock and the contractor did not, I think, depth it properly. We get a lot of stress fracture cracks, pipe bent around a rock and things of that nature. Burning Fork in the area is a continual issue. There is approximately a mile of line that we need to work on up there and reconnect the customers to the new line. Commissioner Hurley stated that all of these lines that need redone, he wished we had a list of who put them in. Mr. Potter stated that we can go back through and look but he doesn't know if there is any recourse to do anything about it. Commissioner Hurley stated that there wouldn't be but we wouldn't want to do that again. Mr. Potter stated that he knows they have seen contractors laying line and you are supposed to wrap your pipe, bring it up and set it off. Now when I first started working here I was an inspector and there would be a guy on top of the trailer and he would just kick and roll pipe off and I think there were a lot of fractures and micro impacts. You can tell certain areas seem to have issues, Burning Fork is one of them. It was just waiting until we had enough available funds to redo the section. There is a section at Elkhorn Creek between Dorton and Shelby Gap that we have had some issues there with about a 3,000 to 4,000 foot stretch on 8" line. Old Beefhide Road is a problem area. There is a lot of customers to retap but that is a continual issue. Collins Highway is one of the older Marrowbone/Shelby Valley areas and there are 40 foot joints on a lot of that which is not done anymore. Chairman Casey inquired what they needed to do as a Board to try to....he knows monies are tight everywhere you go right now. Mr. Potter stated that the priority lists are here and if the funding comes, or if MWD gets its rate increase or if we can find funding. We have applied over the years for funding for replacement programs, just not awarded them. If we do get some funding, the Board needs to make a decision on how much to set aside...Chairman Casey inquired if we need to have Mr. Potter and Mr. Stratton and some of our people to have a meeting with our Congressman. Mr. Potter stated that he is going Friday to Kentucky Infrastructure Authority to talk to Tony Wilder about funding for systems that need rehabilitation and see what is available but we will continue to look for funding. Mr.

Stratton stated that the big issue is that we have so many priorities that we need a recommendation for prioritization of the entire system. Mr. Potter stated that we will have to make a really good evaluation with available funding that we have to say what would make the most sense to take care of repair and leak issues and go from there. Those are just some of the areas. There is Smith Fork of Phelps and Democrat Hollow and Bowling Fork...those are old Marrowbone sections that need redone. They are class 160 pipe. There are some places that contractors have done things like a 10" main line at Meta hanging in the air in the creek. It is not going to be cheap to redo. It needs to be put in ductile iron and directional bored and tied back in as well. There is a list of these but any time anyone wants to stop by and get the info we can go over it. Mr. Stratton stated that they have their lists but they have to get them in some kind of priority. Mr. Potter stated that they are prioritized for today. Mr. Stratton inquired if we can take that list and go okay "here's 1 through 100 that we need to do first". Mr. Potter stated that we can do that. We can narrow it down to that. Chairman Casey stated that we just have to get funding. Mr. Spears stated that one thing we have found out through the PSC is that borrowing money is how you increase your rates. It is backwards to how business people think. Had we borrowed money first and done some of this, and I am the biggest proponent and have been for years that we don't borrow any money here, but if we'd borrowed money to do some of these projects through KIA or SRF or whatever, they would build those into our rate and we wouldn't even have to argue those. They are automatics but you have to go through rate increases every three years like we have talked about or you borrow money that you are going to pay for a long time, which is what we have done previously. Mr. Potter stated that we can reprioritize everything again and see where we are at. Some of the infrastructure we have is aging also. You have Micro-Comm as telemetry and that is what we monitor the big players out there with. That started in the early to mid 80's and has been a really great thing for MWD. You don't have to have a man on the ground twice a day to check tanks and pump stations, but the units we have are old. They don't make replacement parts anymore and they do not repair them. There isn't even a follow up secondary person that will rebuild one. Now you have to change the entire boards and unit with their newer equipment and there is a cost associated with that. We have to make a plan with monies and say we will do X amount per year. Meters are another issue. Batteries on the meters are reaching the end of their useful life and need replaced. That is how we read the meters. It went from taking a month to read the meters with 6 personnel on the ground down to scheduling to do 2 or 3 days each week with 2 or 3 meter readers with computers to read it and put other people out in the field. You are talking about relatively a million dollars. Mr. Spears stated that the batteries are more than the whole units were when we bought them. Mr. Potter stated that the way they work is you have the meter that has a head on it. There is a wire that comes from it to the transmitter. You can buy the transmitter with the new battery that is potted in and epoxied but you have to cut it and get an epoxy splice kit for each one you do, then run it back through a computer system and do a continuity check. The meters are to be replaced or tested every 10 years according to the PSC anyway, plus a new lead rule came out last year so you still have leaded meters in the system and he foresees them saying that they want to see a replacement program. They haven't yet and that might be a way for the District to get a leg up...Chairman Casey stated that is the thing with government. They change and mandate something on any entity, they ought to fund it. Mr. Potter stated that he agreed, but that would get the District a leg up; the differential is minimal to just get a new meter with a new head and a new transducer. Mr. Stratton inquired if it wouldn't be cheaper to hire 6 people going out to read meters again than to replace a million dollars worth of batteries. Mr. Spears stated that it isn't just salary cost; it is driving and gasoline costs...Mr. Potter stated that he didn't think so. Everybody is going to auto or satellite meter reading. Mr. Spears stated that you get a lot of misreads when you have people out there reading. If they don't want to go up a particular hollow, they may just sit there and look at last month's reading and write a reading down and catch it up next time. Chairman Casey stated that person would need to be fired if they did that. Mr. Spears agreed but stated that you don't catch them for a while. Mr. Potter stated that in the long run that is the way...liability, vehicles, and those kinds of things...he thinks the City of Pikeville is getting ready to switch over and are looking for funding. They are tough read. He doesn't understand anybody who would do touch read. You have to put a man on the ground who takes a wand and touches it. So they are looking at going to radio read also. Plus all of our infrastructure is already set up for it. Mr. Spears stated that they have not gotten rid of that department they are just out in the field doing service calls now. Mr. Potter stated that where the District has grown over the years we were probably going to have to hire additional service people besides the 5 or 6 meter readers we had full time. He has been able to roll them out into service calls for meters instead of hiring additional people. The 2" meters and larger you have, they have to be tested on an annual basis and any we find that are slow or fast, you have to buy repair parts and they are no longer serviced and it takes a lot to find parts for them.

Mr. Potter continued by stating that at the water plant there are continuous things that require maintenance upgrades. He has told Mr. Sawyers that the current computer system we have will be no longer serviceable by this fall. That is going to be about \$35,000 to \$40,000 to switch to the new program. Mr. Lowe knows more about that, too. If we were to have a failure, we would lose all of our data because there is some kind of software interchange. He and Mr. Sawyers had a meeting several months ago where he gave him the info on that so we are going to have update the software. Software updates for the water plant are needed that tracks the turbidity, chlorine, all facets of it. Programmable logic control, there are a lot of things that are automatic. You lose one of those and it is \$1,500 to get a new one. It is all electronic and you are in an environment that needs a dehumidifier, it is in a water environment, it is going to corrode. When he came to Mountain Water District there were many areas that we didn't have water service to. This was in about 1997 and he remembered hearing the numbers then. We had about 7,000 to 7,600 people on the system. In about 18 years add about 10,000 more to it. There are tanks out there that are going to have to be replaced also. He has information on the recommended ones of those. It's time. He hadn't been here a couple of years and was the Supervisor at Marrowbone and we made a big push on a service line replacement program and now the next areas are falling in line. Service line back then, they used a thinner wall pipe, now you use the 200 psi or one of those types, so those lines have gotten to the point where wherever you crimp the line off you have made a stress point, so in about 3 months you'll be repairing another place. We try to replace those through R & M and not go too far out of budget but you have to sort of weigh that rule of thumb...we know we have worked on it 3 times, so let's replace. The funding isn't there and he didn't want to run R & M up. We need a service line replacement program for areas also. It has just reached that time. It is a good system. It is difficult to maintain. It is very complicated. I can move this water from this plant all the way over to Southside Mall if I need to in emergencies. I can bring Southside Mall tank water from Williamson all the way back to Phelps if I had to. I can move water from the City of Pikeville all the way into the Elkhorn Creek area or I can use my own water. I can move the City of Pikeville's water over into the Phelps area if I need to or we can take the City of Pikeville's water all the way to South Side Mall. I cannot do it on a continual basis but in these emergency floods...over the years we have made a lot of interconnects and a lot of bypasses and regulated setting up for these emergency situations. So we are not limited by one plant. There will be little areas that are just out there that I cannot get to with different water sources but we can keep the majority of people in service. Commissioner Blackburn inquired how many treatment plants we have. Mr. Potter stated that the District has one water treatment plant at Harless Creek. We used to have the little plant at Marrowbone. That one produced about 750,000 gallons per day. The new plant, which is 10 years old, started out as a 2,000,000 and over the years has been upgraded to a 3,000,000 gallon per day plant. It is cheaper for the District to make water than to purchase it. We try to get the economics of scale thing. I have been questioned by the Division of Water on why we are running 2.6 or 2.7 million gallons all the time. He told them it makes sense. Their capacity development division said that if we are running 80% of capacity, you have to apply for an upgrade and get these monies or put on a tap on ban and not add anymore customers. He told them that we are in a unique position. If I'm running as high as I can and leave a little reserve, I get more economics of scale. There is a man there already, the power is being used already, on a 24 hour basis. So it behooves me to make as much as I can at this plant and put cheaper water out there. Mr. Stratton inquired what the cost per gallon to make it is. Mr. Potter stated that it varies from between .68 and .90 cents per 1000 gallons. Mr. Stratton stated that to clarify for the Board members, we can produce it for an average of .75 cents and we are purchasing it from the City of Williamson for \$1.31 per 1,000 gallons and from the City of Pikeville for \$1.68. Commissioner Hurley inquired why we don't upgrade ours where we don't have to buy it. Mr. Potter stated that he can make 10,000,000 gallons but he can't get it out there. The lines and pump stations wasn't sized to push it. Commissioner Blackburn inquired what it costs to transport the water. Do you measure that in lifts or distance after you produce it? Mr. Potter stated that he can in lifts. He'll look at the pump stations it has to go through to reach a certain point and I know that if I move a million gallons that way and electricity to take it that way...I make water at the plant and send it towards Shelby Yard. Shelby tank is down there. From the plant to the million gallon tank and it gravity feeds through regulators down the main line. Some of these locations the water goes through 4, 5, 6, 7, or 8 main line tank systems to get there. Commissioner Blackburn clarified that he knows how much it costs per 1,000 to move it. Mr. Potter stated that some of it is going to be more than others and he hasn't broken out an average. But some places, like Barrenshee; those are actually more gallons per minute higher lifts so he knows it costs more that way. That is why we made the interconnect back around Feds Creek and put that water into Phelps from the MWD plant instead of buying the water from Pikeville or Williamson. Mrs. Hatfield inquired at the highest would it be more than what we pay for Pikeville or Williamson. Mr. Potter stated that he didn't

know at this point. Mr. Stratton stated that is an analysis that we might want to look at doing because if we can buy it cheaper than we can produce and transport it...Mr. Potter stated that he would look at that. Commissioner Blackburn stated that transportation costs are probably more than production. You are probably looking at \$1.50 by the time you get it over there. Mr. Potter stated that there is a break point too on Pikeville if we go over a certain amount that reduces what we pay, but what you have to look at is that they also put limitations on how much you can take. He thinks it is still cheaper for MWD because he still has basically to move it the same way and go through the same stations. Maybe a few more taking it from Pikeville, so the transportation costs, he still has to pay the power. Mr. Sawyers stated that Commissioner Blackburn had a question on possibly doing a study over there on the Pond Creek seam and possibly putting a small plant in that area over there. Commissioner Blackburn stated that there is an ocean of water over there and it is only a couple of hundred feet below the ground. Mr. Potter stated that usually the Division of Water wants 5 years of water quality monitoring data before even looking at the potential of a plant. Commissioner Blackburn stated that he bet they have that. Mr. Potter stated that if they have it, that would be great and we could put a little RO system over there or something like that but they usually require 5 years of data. That has also been thought about up in Jenkins where a million gallons or more a day runs off the hillside. Commissioner Blackburn stated that there is a place at the mouth of Mudlick that runs about 300 to 500 gallons per minute and is beautiful and is about 68 degrees. Mr. Potter stated that on top of Chloe Mountain where they used to have that bottling plant, they got their water from a spring and asked him who they could get to test it. That water comes out at like less than 1 NTU turbidity. Perfect water. No bacteria or anything. They gravity fed it to the bore under the road and into the plant and bought a little RO system and it is great water. Commissioner Blackburn inquired if we could do that ozone recovery. Mr. Potter stated that theirs is a reverse osmosis. They push it across a grating but you can do ozone for disinfection. The only parts of the county that don't have a main line is way down in Lower Johns Creek...he done a study on that. If you want to get back around over toward Martin County it is about 11 miles of line and the customer base isn't but about 70 or 80 so it is just not economically feasible. Another place is going over Solomon Mountain at Paw Paw and all that. You go in and out of Virginia a couple of times. We have been approached by Buchanan County PSA who is looking into putting a main line over there. They are doing some studies and wondered if MWD would be interested in putting a purchase point over there for them and you all would have to find the money to lay the lines to service that part of the county. The only other place would be near the Breaks park where you go into Virginia and back out, part of that is in Kentucky but he doesn't see anyway to get there that is economically feasible. You still have these little spots in the county where people bought and started putting houses and we ended the line back down below it 20 years ago with 40 lbs and they say they want to put 6 houses up there and it's a mile away and you have to pump it again and those are just not economically feasible as well. Commissioner Blackburn inquired if those people do it themselves and put their own little pump in. Mr. Potter stated that lots of times these aren't even county roads yet, but what he will offer them is to set a meter of whatever size they need when we can stay in compliance with PSC regulations and recommend them what equipment they need like a pump station or whatever. What would have been nice, and it has been talked about years ago, if to come somewhere over around Stringtown/Burnwell and put in a little plant there and get away from Williamson threatening to rate their rates at one time. They got wind that the Board was thinking about it and didn't raise the rates. We are in pretty good shape where we are at with purchased water. Hazard charges Perry County Water & Sewer system something like three something per thousand gallons. Knott County charges another entity something like \$3.25 per thousand gallons. Close to the Tennessee line around Williamsburg it is around \$4.75 per thousand. We actually have a pretty good rate. Elkhorn purchases about 200,000 gallons per day from MWD and he has seen it run as high as 400,000 per day, which can put a strain on the way we operate. That means what he was putting back into here, he has to get from Pikeville. You do have sale points with Elkhorn City, Mingo PSC, Martin County (they only take it in emergencies), and there is an emergency interconnect made with Jenkins about 4 years ago that has never been turned on. They had the funding to build the line to get to the county line and a bump station. We flush and maintain it and keep the power on for heat in the winter. Commissioner Blackburn clarified that we have a purchase point for Mingo PSD. Mr. Potter stated that we sell to them over at Freeburn. He tries to really look out for the District. We get parts every year on all of our parts and all of our chemicals. We do that on an annual basis on all parts and chemicals. It behooves me to keep costs down for my company and for the District. I have been here 18 years now. It has changed immensely. When I got here it was Mountain and I didn't switch to UMG until 2005. Service has gotten a lot better. Liability of service has gotten a lot better. A lot of the practices are better. He inquired if there were any questions regarding the water system side. There were none at this time.

Mr. Potter stated that the sewer system is made up of about 2,300 to 2,400 sewer connections. That breaks down to about 900 customers in the Shelby Valley area, about 900 in the Phelps area, a few hundred in the South Williamson area and others scattered out. The only area you have much gravity systems in is Central Ave area in South Williamson and some in the Shelby Valley area near the wastewater plant where the high rise and school is. That is the first plant that was built by Mountain Utility District at the industrial site. It was initially like 100,000 gallons per day and over the course of many years has been expanded to be 200,000 gallons per day. It was built in the 70's. This is the one we have been talking about wanting to take up to a 300,000 gallons per day initially and then with the headworks with potential growth to 400,000. The material coming into a force main system is anoxic and basically dead in all respects; the microbes that actually do the work. Some microbes work best and do certain things in an anoxic environment (no oxygen). Some do their part in an aerated environment; that is why you have aerators at the plant. So you have to let them work through both processes and he uses the phrase "let the bugs that do the work get fat and happy" and then they drop out and that is your sludge and the clean water is decanted off the top to be sent back to the stream. The material coming into these plants from this type of thing has been subjected to miles of being in a line with no air so the bugs are sick or dead or not really in good shape by the time they get to the plant. We have tried to feed them extra and those type of things but we cannot get the material through that plant...we move about 60000 to 70000 gallons per day through there and it is rated for 200000 and he cannot put anymore through there. He is continually having to pump back into the EQ basin and recycle it because the bacteria are sick when they get there and cannot do their work. That is why we are having to upgrade that plant. Hydraulically it is not at capacity, biologically it is beyond capacity. That was built in the 70's and made for a gravity system. He doesn't think that anyone knew the impact at the time when the Board made the decision to go to a force main system of what it would do and it was new to the Division of Water. They reported this was the way they would sewer these elevated regions was with force main systems and now we see it causing issues. We have gone to WV and other places to see how they deal with hydrogen sulfide and those kinds of issues. Everybody sees it and is trying to figure out what we need to do. Membrane technology would be a good route to go and for the odor control and corrosion doing some of that ozone type system. The issues we mainly have are in the Phelps area. We have a few in the Shelby Valley area but mainly in the Phelps area. He has done all kinds of costs analysis and he can give you those, on how many pumps are rebuilt here and things of that nature. The issues that have occurred in the Phelps area are 1) engineering mistakes, 2) construction/installation mistakes, 3) and the Board's inspector didn't pay enough attention during construction, also 4) the Division of Water was a little too new at what they were looking at, too. Which leaves you holding the bag because that is not a good scenario. He thinks there should have been money set aside. We knew they bid out the pumps and the bid went with E-One. Mr. Sawyers can tell you that he has looked at Zoellers, E-Ones, Meyers, Barnes...every company makes one of these animals. If you look at the specs on all of them, they all do the same thing. But nobody has made the "magic widget" any better than the other guy. They are all a bread box. The key to it all was warranty. The company we got these off of offered the longest warranty - 65 months. The standard was 2-3 years. That bought you a little bit of time. What should have happened was that there should have been some how to put back, because we knew we had a 5 year warranty, but was never anything set aside as a replacement program as they approached or went past warranty time. That is why the decision was made on rebuilding. We tried to do our due diligence and that is the service that UMG had people trained to do. We sent people to the technical classes and had them into how to rebuild them and try to use the rule of thumb that the guys look at the rotor, the stator, the motor, the brushes, the seals. Each time they are broke down, we keep a record how many times one is rebuilt. There are some in the system that last a long time. Our Wastewater Supervisor had one at his that was 10 years old and didn't have an issue with it until it finally went out. Some areas where we have issues with maybe installation or hydraulic calculations, about every two years they need replaced. If it is a first time rebuild, based upon the wear of the bearings or whatever, the guys at the plant track that and if it is one that is rebuildable and looks like it will work, we will rebuild it. Plus the Board said we don't have the money to buy new ones, how much can you rebuild one for and it was somewhere between \$325 and \$500. We talked about this...how many times can you rebuild it? Well, it depends on where you put it. Commissioner Blackburn inquired what the cost is to the District to repair and replace them. There are labor and outside of just...Mr. Spears stated that UMG provides the labor. Commissioner Blackburn clarified that the District buys the parts and UMG pays for the labor. That was confirmed as correct. Mr. Spears stated that it would be nice if the customers could replace their own grinder units. That would give them more incentive to take care of them. They were originally used for gravity flow and we are all force main and they are having to work harder which shortens the life.

Commissioner Hurley inquired what we charge for a sewer hookup. Mr. Potter stated it is \$2,600 plus a deposit for the force main system which is for the pump, the barrel, the connection, the control panel and that is a bid item you put out and it comes from Wascon at this time and it has to be submitted to the PSC for approval. If you start trying to mix and match different brands you would have to stock six different kinds of parts and we have tried to standardize. If you do a gravity tap, it is \$750. There is only a few areas that you have gravity. Commissioner Blackburn stated that sewer is pretty static as far as customer growth. Mr. Stratton stated that we are adding the Belfry Pond Creek area when that project is done. That is going to add several hundred customers in the Belfry area. Commissioner Blackburn clarified that in these established areas we don't get many new households. Mr. Potter confirmed that. When the Board did a sewer project, if you sign up you get the tap initially for free. That is part of the funding source. We don't do a lot a new taps. We keep 5 or 6 sets on hand just in case we get a call. Commissioner Hurley inquired if we wouldn't be better off to charge \$2,600 to the customer and tell them it is theirs. If it tears up you have to pay to fix it. Mr. Sawyers stated that the Public Service Commission won't let us. Mr. Potter stated that their thing is, they are looking out for the customer and since you are offering the service then you should be responsible for the maintenance and infrastructure. Mr. Stratton stated that the Division of Water has also said that if we put them in, we are in charge of it. Commissioner Adkins inquired if the grinder kicks on no matter whether it has liquids or solids in it. Mr. Potter stated that it does. It is based off of pressure differentials. We have tried to educate the public. We are still getting a lot of issues with inappropriate items being put into it. If my employee goes out there and pulls the pump and puts in a rebuilt one, they take it back to the shop and the stator is melted. There is very few things can do that. So someone has dumped something in the commode and flushed it like cleaning solutions or other kinds of stuff. Your tariff says that if the client puts something in there that damages our stuff they will pay for the replacement and we do bill them back for that. Sewer is just expensive. You are treating it, you are moving it, you're pumping it. It has different regulations that are really tight. It is 2 to 3 more times more expensive to run sewer lines and to treat sewer water because there is more processes than there is water. Commissioner Blackburn inquired how we expanded into the sewer business anyway. Did somebody say "hey we should have municipal sewer here" or did we inherit it? Mr. Potter stated that he will say it was political pressure from different entities and basically what he said is correct. Mr. Potter stated that he has rounds and rounds of data and if they have the opportunity to come and want to go look at some of the infrastructure, he will be glad to take them to go look at it. That is what he has operationally. He works with Mr. Sawyers looking for money each year. They go to the BSADD meetings and down to Frankfort and beg for money. His report is completed.

Financial Review – Mike Spears, CPA

Mr. Spears stated that he wasn't going to be near as long with his report. He distributed a report to the Board members. On the first page is water and sewer revenue. It is letting you guys see that in 2003 our revenues were \$6.1M and as of 2013 it had climbed to \$8.7M. Just again, you are looking at growth and what happened over the years backed up what Mr. Potter said about the lines and installations of water and sewer. Sewer revenue has gone from \$417,000 to \$917,000. Basically at that point, he believes it was Phelps. Mr. Potter stated that the first part of Phelps was installed in 1999 to 2001 and started coming on line. Mr. Spears stated that you will see that the big growth when Shelby Valley went on line and those areas are the bulk of our customers. On the bottom of the first page, the Operation Management Expenses in 2003 (which includes depreciation) was \$7.3M in 2003 and went to \$11.263M in 2013. Depreciation line item which is under the Operation Maintenance Expense is the second line. In 2003 we were at \$1.7M and now we are at \$3.6M now so that is due to the growth during that time. These numbers all come from the audits. You will see in 2005 it was a half year with us running the District and UMG the other half, UMG has absorbed all of the expenditures except for the line items you see. On the second page you see what your net income has been during this period. This ought to be justification for the PSC to look at what need we've got. We were at a million dollars in 2003 with a loss of \$2.4M. When we did our estimate for the PSC, we asked for \$3.6M to cover depreciation, reserves and so forth. If you will look below there, he added back depreciation. He did cash flow and added back depreciation. In 2003 it was \$667,000 and in 2005 it was a better year for year because when UMG took over operations, they took over our payables for a period of time and we got to keep that for a period of time so that is probably the general cause for that. In 2009 it went to \$1.7M. When we signed the UMG contract in 2005 with UMG they did a study that said the average water bill was \$23.50. But there were these low/moderate income taps and we didn't anticipate that these weren't going to be average users.

These were minimum bill users. We were paying UMG additional customers in the original contract of \$23.50 per new customer and they weren't generating but \$19.50 per customer and we were losing money and that is where we got into that position. You'll see from 2009 to 2013 there was a drop. The contract was adjusted and our loss was \$1.1M adding back depreciation at that point in time. That sounds like a lot after depreciation but our bond payments are approximately \$1.1M per year right now. Commissioner Hurley inquired what the bonds actually are for. Is that like somebody else bonding a job? Mr. Spears stated that it for each of these projects. Rural Development gave us part grants and part loans and that is RD Bonds. These bonds are basically loans but they call them bonds. As you can see in 2013 we were barely cash flowing our debt service. Bottom line there in the reserve accounts; the required balances in 2005 were \$708,000 and actual balances were \$715,000. We were funded through 2005. What you will see is that after that, we started using some of those funds. There is nothing wrong with using those funds if you get permission prior to using them. But we didn't get permission back then. In 2013 we were back funded at \$1.50M and the Board is at \$1.450M right now. The reserves increase about \$100,000 per year but we have increased in 1 year \$300,000 so we are catching up. In a couple of years we will be fully funded in the reserve accounts. He thinks they calculated that they are at 84% funded to date and he believes that we are in the top 10% of the state without question. He made this comment to Jack Hughes who is a Northern Kentucky attorney, he didn't say "we are fully funded". That is why he made the comment because he wanted to see what he said. Rarely anybody is fully funded. The next page is for the Board information and analysis of the bond caps, the required reserves, etc. At the bottom you can see there are percentages of what we are funded. In 2013 we were 74.77 in 2014 we were 83.57 and we will probably be over 90% at the end of 2015. He deals with a lot of District's and those are phenomenal numbers. The last page is a list of projects we had in 2014 and draws that were made. We had \$8M in construction on the books at the end of 2013 and right now we have about \$8.2 or \$8.3M. This District has grown and continues to grow. He has seen that number as high as \$30M in construction in progress at times during his time here. This District, for all that people have said is done wrong, has done a lot of right. They have done an excellent job of trying to provide service to the people. That 94 or 97% that we have coverage on water, he would say that has to be up there, too. Considering the topography that is 110%. Mr. Potter stated that we have surpassed most of the counties in the state, even the big areas. Commissioner Hurley stated that if you borrow money, and are making a certain amount, and you borrow it, and the money is reduced it saves you a lot of leaks and money. If you set and calculate it out and it balances, that what you need. Mr. Spears stated that the PSC beat on us on water loss. That's great but until you get some revenues to fix some of these problem areas it's hard to fix. Like Mr. Potter's analogy was if you have an aneurism and you fix it here, it will just go to the next weakest spot, it is going to swell up. Commissioner Hurley stated that one thing you have to do with something this big, when you hunt there is a saying "you don't shoot the animal, you pick a spot". If you look at the animal at how big he is you will miss him every time. You have to kind of just go to a spot at a time trying to correct it. Mr. Potter stated that he told the PSC that he realizes that R & M is high but the Board don't have a million dollars to replace a mile of line somewhere in one section, but they have \$47,000 a month to repair lines all over the place and he has to keep doing that until we get the money to start sections of repairs. Mr. Spears stated that to continue, he knew the Board didn't want to sit here for an hour reading over the bond, so he went to article 4 of a bond that was for \$350,000. He reviewed the article of the bond with the Board members. Basically what it is saying is that you have to separate the money, not per bond but into a revenue bond, Mrs. Hatfield reconciles and we produce financial statements at the end of the month. She does the review and gives you all a copy. The prior sinking fund is referring to all bonds prior to the date of this bond. We didn't use to have a sinking fund but we do now. When you hear me say we put \$55,000 in that, that is where it goes. Regions Bank, who we refinanced some through to get a cheaper rate a few years ago, they automatically draft theirs out once a month and we actually show a cash balance on our audit at the end of the year we have to reconcile because they make a payment twice a year even though they take it out every month. That is fine, it is out of sight out of mind. It is part of the thought process for me. With the payroll clients he has, he has them deposit net payroll, payroll taxes...everything associated with payroll into a separate account. If he is going to write checks for them, that way when it gets to where they have the money in there, he writes that checks. It is the same theory here. We put it over there and when it's time to make these bond payments, it is in there. In the past that is how we got into trouble of dipping into this. It would get to bond payment time and no money and we had to pull the money from what we had. The sinking fund is required equal to the sum of .6 of the next succeeding interest payment from a sum equal to 1/12 of the principal of all of the prior bonds maturing at the next succeeding payment date. Basically a 12th of principal and 6th of interest. That is the \$55,000 we put in there plus the \$44,000 they take. Regions actually takes the \$44,000 out of our

account into their bank and then they make the bond payments. The current sinking fund, with the current loan, and he is not sure we have ever done some of this; it says there shall be transferred from the construction account into a current sinking fund (which is different account) an amount sufficient (currently estimated at \$13,000 at the time of this bond) to provide for capitalized interest during the construction of the project. He is not sure that we have ever done that to be honest. He doesn't think it is that big of a deal. He thinks it is \$13,000 and to think about our projects and small projects don't last a long time. The larger projects, there is some interest during the construction period just like there is in anything else. It is drawn down as needed. It's not like we pull the full amount down and set on it for that period of time so he can't say we have ever done that. Then it talks about after completion; an amount equal to 1/6th of the next succeeding 6 month interest and 1/12th of the principal. Same deal. He wanted to read that to you to show you a little bit more on the depreciation fund and will spend a little bit more time on that. Currently for this bond, he thinks it was a \$360,000 bond, the amount to be transferred from the revenue fund to the depreciation fund was \$200, which is \$2400 per year. There is not enough money in those funds to having any bearing on what we can do to significantly improve or repair. Monies in the depreciation fund may be withdrawn and used by the District upon appropriate certification of the Commission for the purpose of paying the costs of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget. Their argument is we didn't do a routine request or we would have these deficiencies. It is not anything that we are going to be able to utilize to any significant amount. We are required to put into those. The documents you sign will have this in there and you made a pledge that you will do it as far as the conditions of the loan. That is the biggest thing we failed to do. It says it can be utilized clearly in there but you have to have approval. It is going to be hard to get approval and the amounts are going to be minimal. In addition, once you have funded these other funds you are supposed to put those amounts into a revenue fund. Once you get fully funded in each bond, and each one has its own funding level, we are supposed to start dumping money instead of the depreciation fund into operating fund. That operating fund is that they want you to have 6 months of operating costs. In our case, it would be \$5,000,000. The PSC is not going to allow you to have those type of reserves and he doesn't know why that is in the loan requirements. You would never get a rate increase if you have that kind of reserves. Other than that, on the last page talks about the current bond principal based upon collateral or what have you. What he has given them is the \$1.65M bond package. We have to submit these for every project to the PSC as part of this application process. He just wanted the Board to know the history of where we are and where we have been and to understand these bond reserves that was such a big issue before and how the bonds and bond reserves work. Mr. Spears concluded his presentation and stated that the Board members can contact him any time with questions.

Legal Requirements Review - Dan Stratton, MWD Legal Counsel

Mr. Stratton stated that this is an update on the summary we gave 5 years ago. He is just going to touch on the highlights of the outline and will be going through the UMG contract with the Board. To respectfully disagree with Mr. Potter, the paperwork shows that we were created from four Districts. There was a Johns Creek District that was created that was a part of the merger with Marrowbone, Shelby Valley and Pond Creek. He has attached the original order setting that out as exhibit 1. Exhibit 2 is bylaws. When we did this in 2009 we looked for bylaws and couldn't find any. He asked for Mrs. Olson to look again. These bylaws were done in 1988 and they are badly outdated and he has shared with Chairman Casey the need to update them and he has instructed him to do a draft of that. These are the rules of our game right now. Number 1 is it calls for membership and that is when these old little water districts had members. We don't have members we have customers, so that goes away. It has a section provided for Commissioners under article 4 on Exhibit 2. If you look at the officers it doesn't even list them. In article 6 it states that the officers will be elected annually at the first meeting of the year. Our fiscal year is now December and so it would be done in January or you continue on with who you have. Commissioner Hurley clarified that once a year they can change officers. Mr. Stratton confirmed that as correct. They left out the Chairman, Vice Chairman and the officers here, which he think is interesting, so he'll provide for those in the new draft. It gets into a lot about funding and things that don't need to be in bylaws like contracts. He will try to strip all of this out and get it down to a simple form. In part 2 "Rules and Regulations" it covers tariff issues and this is where it was an old little system that really wasn't necessary regulated by the PSC so all of this needs to come out and go away because it is all covered by the tariff now. So he will strip this down and go from there. Commissioner Hurley inquired if you were to once a year be able to do it, would you do it individually, once they were doing it, elected, a year from that time or one set time you could do them all.

Mr. Stratton stated that we would do every position at the same time and they would serve until another election was held in January of each year.

Mr. Stratton referred back to the outline on page 1. We are governed by the Public Service Commission and he has given you the administrative codes there that govern our activities. The next big item that they need to be aware of is that we are subject to Open Meetings and Open Records laws. In a nutshell, open meetings, any gathering of the Board where the majority is present, if they discuss anything concerning the District it is an open meeting. I don't care if it's for coffee, if it's for drinks after supper, if more than two you guys are together in a meeting, it's a meeting regardless of what you talk about. It is what it is and you have to be aware of this. The law requires that any meeting like that be open to the public and we must permit media news coverage. The other thing this bars is called daisy chaining meetings where he has a meeting with Mr. Spears and he calls Commissioner Hurley and says "here's what I think we ought to do" then I go have a meeting with Commissioner Hurley and says "here's my opinion on things" and then here comes Commissioner Adkins and we talk about the same issue. That is called daisy chaining and it is prohibited. This is called the Sunshine Law but the daisy chaining is a way of meeting without meeting and is prohibited. There is no such thing as a work session. He doesn't know how the county gets away with it if they have a work session. There are no work sessions, they are meetings. There are exemptions to the rules. There are about 8 or 10 of them listed under the statute. There are 4 listed in the handout on page 2 that generally apply to us. Anything involving pending litigation, collection or bargaining with employees, discussions that might lead to the dismissal or discipline of an employee, and discussions between a public agency and a business entity concerning a specific project or proposal that would jeopardize the proposal. In other words, if a public agency was talking about bringing in IBM here and that got out, that would obviously be a problem so you could do that in confidence. In the meetings act, just remember that where three or more of you are gathered it is a meeting.

The Open Records Act means that anything that we give you, anything as far as this meeting is subject to public disclosure. There are some exceptions and they are; court ordered confidentiality, information on personnel, and anything that has been disclosed to us under a confidentiality agreement. Things that he gives the Board under attorney/client privilege he will put under attorney/client privilege and he will shield some of that. If he discusses it out in the open meeting however, that issue becomes a little foggier.

Mr. Stratton stated that the Board members have certain legal duties and it is to operate the District. You have to do everything right. Paragraph A4 states what you can be removed for; inefficiency, neglect of duty, malfeasance or conflict of interest. He would submit to the Board that if we go bankrupt or request a receiver that would be deemed to be malfeasance and all of the Board members would be asked to step aside at that time. You don't always know what the PSC is going to do but that is what you would be exposed to. The Board has the power and legal duty to operate the District. All corporate powers of the Water District shall be exercised by and of the authority of its Commission and it shall manage business affairs as directed. You are in charge of hiring a superintendent. That is your number one duty other than making sure everything gets paid. We, through the UMG contract, have met that duty by hiring a superintendent through UMG so you have met that obligation. You have a set policies and procedures that are dictated by the PSC and that is your tariff. You have to make sure all of these are carried out.

How do you know you are doing a good job? There is not a clear statutory rule that governs Commissioners but he will use a comparison to a non-profit corporation because that is the closest analogy that he can come to and is the closest standard to which they would be held. In your discharge in your duties as a Director, the statute for a non-profit states that you must do it in good faith. In other words, you honestly believe that what you are doing is in the best interests of the District and must do it on an informed basis. That means you can't just say, "Well I thought that was the right way to go", you have to ask people you have the opportunity to ask such as Mr. Spears and himself or Mr. Potter and any other research that you do. You must honestly believe it is in the best interest of the District. If you can meet those three requirements then you can defend any decision that you make. Reasonable minds can differ whether you go left or right or pick a, b, or c but as long as when you make that decision you can say that these three things are in place, you are okay. The other thing is, in measuring that, a Director shall be considered to have discharged his duties on an informed basis if he makes the decisions with a degree of care and ordinary prudent in a like position would exercise under similar circumstances. So it is not just how you make that decision, but in evaluating it, it is how a reasonable third party would look at that. Keep that in the back of your mind. What he has told you all in the past is how would it look on the

front page of the news paper. If it looks good on the front of the newspaper it is probably a pretty good decision. You can rely on the recommendations of a committee made to the Board, you can rely on the recommendations of your accountant, your CPA, your engineer and go from there.

In ethics, we have adopted, pretty much, the county's ethics policy which means you have to sign a disclosure if you have an immediate family member tied to a business. To cut through all of the detail here, you have to disclose the conflict, then the Board will vote on whether or not it is such that you need to step aside and if you are voted to step aside on the conflict you must leave the room while that is discussed and you cannot talk to anyone collectively or individually about it. We don't have too many conflicts that he knows of. Everything is disclosed. Mr. Spears and he both have to sign one. Mr. Sawyers has to sign one. It is all a part of the process. You all know what conflicts are and how they work, you just have to pay attention to them.

Gifts and gratuities; the District does not have anti-gift policy but the county does. Small gifts or gratuities are fine. It is his recommendation that they stay away from anything just so there are no questions asked. A county employee can be disciplined for it. We have no specific consequences but if it is a big enough kick back or something you could be subject to removal. Anytime you accept a gift from a vendor or contractor, it always raises an eyebrow. He advised them that it is a risk not worth taking. No matter what happens, if something comes up and you get caught, you always end up with a black eye even though it was harmless "do this, do that" type deal.

Procurement Procedures; We fall under the Model Procurement Code of Kentucky and basically that means that all purchases of items of like or similar nature in excess of \$20,000 in a fiscal year shall be advertised for bid subject to certain exceptions. Mr. Spears stated that for example, if the Board is going to buy tires for vehicles, no tire is going to cost us \$20,000. But if we anticipate that in the next rolling 12 month period we will spend \$20,000 total on tires, we have to bid that item. Things that we anticipate spending that much on have to be bid. Commissioner Blackburn stated that he believes that there are a lot of \$19,500 picnic shelters all over this county that were built at the discretion of various Magistrates and other people. Mr. Spears stated that the reality is that if they were going to build two of them, they would have to bid that even if they were \$19,500 each. The interpretation is a little broader than what it sounds if you read this. Mr. Stratton stated that when you invite people to bid, there are two types of bids; 1) low price and 2) is set up by whatever standards that we want to create for the position or materials. If we have criteria, we have to be specific and it has to be manageable. It can't be "the one I like the best" or the one with the brightest color unless color is relevant to whatever we were doing. Commissioner Hurley inquired under what would you use "they do a better job". Mr. Stratton stated that you can make it a criteria that we want someone with 10 years of experience or we want somebody that will provide a 5 year warranty on the work, or we want somebody who is familiar with our area or things of that nature that you can grade and compare to. We can, on things that are sole source purchases or when competition is not possible, we can do non-competitive negotiations. Commissioner Hurley stated that he didn't like it when he heard that only two people showed up and only one bid it. He would have thrown it out and make them rebid it. He would find someone to rebid it because in this market today when everybody and their mommy needs a job, it was something that we ought to look at. Mr. Stratton stated that the reason that ended up coming out is that it was within the budget and the numbers fit within the estimate of what it should have been. Mr. Potter stated that he agreed with Commissioner Hurley but we can't get them to submit their bids sometimes. Mr. Sawyers stated that sometimes it flip flops. If you remember when we did the KDOT project we had a room full of people. Commissioner Hurley stated that what they have in their mind is that this guy does work for them all of the time and he is going to get it so there is no use to bid. Mr. Spears stated that is their perception and he is right. Commissioner Hurley stated that is why he quit the water business because he couldn't get the job with them and didn't wheel and deal under the table and nobody wanted him around. Mr. Spears stated that he asked some contractors why they never bid here a few years ago and they thought it was a waste of their time and no need. Mr. Stratton continued by saying that contracts that can be done by competitive negotiations are personal service contracts for accounting, legal, engineering...those things do not have to be bid because you are contracting with a personal relationship with a professional. He inquired if there were any questions. Mr. Sawyers stated that with regards to procurement is that usually we go out and get multiple quotes even it doesn't have to be bid. Mr. Stratton stated that as a Board, you all can act. Individually you cannot act. When someone calls you and says "I need this line moved from here to here", all you can say is that you will bring it to the attention of the Board and that takes you guys off the hook.

UMG Contract; Mr. Stratton stated that he has given the Board a history of all of the agreements that we have had here and he called their attention to Exhibit 3 to walk them through the latest version which was done on March 27, 2014. In the first provision it provides that UMG is an independent contractor, that we are not in association or partnership of any kind with them. It provides under 1.9 that if litigation is necessary to enforce the terms of the agreement, the prevailing party may get their legal fees paid. So lets say they sue us for failure to pay them. If we haven't paid them, we lose, so we will end up paying their attorney's fees as part of the process. Likewise, if they fail to produce enough water or do the things that they are required to do under the contract and we sue them and prevail, then you would get contract fees. UMG's services are generally outlined in 2.1 and they go through a number of pages here of all of the things that UMG is supposed to do. To his knowledge, all of this is done. It lays it out for water in all of these pages. Page 8 of the contract then jumps into UMG's wastewater obligations. We have laid out paragraph by paragraph whatever UMG is supposed to do. If there is ever a question about, we can refer back to this but basically, in a nutshell, they do everything except that which we have taken away from them which is the duties that Mrs. Hatfield and Mr. Spears has, and with Mr. Sawyers' position, he oversees their compliance with this agreement and otherwise provides oversight for the Board in regards to what UMG is doing. So the relationship with Mr. Sawyers was established as a recommendation from the State Auditor's office that you have somebody, because it is impossible for a Board who meets once a month to oversee a contract. Commissioner Blackburn inquired when Mr. Sawyers came on board. Mr. Sawyers responded "June of 2011". Mr. Stratton stated that UMG reduced their contract fee to pay for that. Then we brought on Mrs. Hatfield because we had an issue arise that was really putting her as the financial director in conflict because sometimes there were gray areas where decisions could go either UMG's way or Mountain's way and was putting her at a conflict of interest when it was a discretionary call and what to do. So we agreed to create that position and UMG again agreed to reduce their fee to offset that. So between Mr. Sawyers and Mrs. Hatfield, the Board has oversight over the operations and financials to make sure everything is what it should be. Mr. Spears stated that UMG gave the District, not just their salary amount in reduction, but also the amount of their benefits and fringe also. Commissioner Blackburn inquired if Mrs. Hatfield was previously a UMG employee. Mrs. Hatfield stated that she was originally with Mountain Water and then in 2005 she was hired by UMG and then in January, 2012 was hired back by Mountain. Mr. Stratton stated that the District's duties are outlined in section 6 and what we are supposed to do. Basically we provide the capital for the infrastructure. UMG provides capital for the operations. With regard to compensation, in 2014 we agreed to pay \$7,680,850. This contract was the first contract where we got a fixed fee with a percentage fix up but it was not a percentage based on CPI which has been a prior thing because the PSC frowns on that. We also had a revenue sharing in the past and the PSC frowned on that. So they get a 1% increase in 2015 and no increase in 2016 so the contract goes to \$7,757,000 in 2015 on a fixed fee. They have complied with the rate increase and provided the information needed for that which is provided for here in the contract. The other thing is that they in the past have advanced us money for repair and maintenance because of flooding and FEMA was slow to pay that money back to us and they were out. So in this contract we agreed to pay them interest on that money so if they advance us money, there is interest on that. Before it was kind of a free loan, but now interest will be added on future advances. The rest of it is the term runs through 2016. Under the current contract, it ends December 31, 2016 but on January 2nd you have the option to give them notice to terminate the third year and have to give 6 months lead time. So if you all elect to terminate the contract on January 2nd then we have 6 months to transition out or to rebid it, whatever the Board decides. Based on what we heard at the AG's office and at the PSC and what we may very well be put under subject to how this order comes out, when this contract comes up, if the Board elects to stay with a contractor, we will have to look at rebidding it just to get everyone off of our back. If you elect to go independent that is a different direction. Those were the two big criticisms that we got hit with was our failure to rebid this thing and the Board needs to be aware of that. If you want to make the decision in January of 2016, you can, otherwise you will be making it in July of 2016. Commissioner Adkins inquired why wasn't it rebid before, because of the way it was written up in the contract? Mr. Stratton stated that it was two things: In 2009 to save the contract they loaned us \$500,000 which we are going to get dinged for because we didn't get PSC approval on it. It was a self forgiving loan that went through 2014 so if the contract terminated before the term of the loan ended, we had to pay them proportionately and that was a big thing. Secondly, the changeover of a contractor is a big deal. You can imagine what kind of big deal this is going to be because we have employees that are going to have to be transitioned some way and it may sound easy but it is not. Those are the two motivating factors but he thinks the state auditor's office ripped us in the audit that was done in 2009 over why that wasn't done, the AG's office ripped us on that in this rate study and the PSC has said the same thing. If and when the Board makes that decision it is going to have to be

with something that says we rebid or redo or something just to take everybody off our back, even if you go with UMG. Mr. Spears stated that was one thing in 2005 when we got the first 2 initial bids submitted is we had two bids but they were two totally different bids. We asked for a bid similar to what UMG gave us and the other company basically gave us a bid to contract our personnel. Southern Water went to Veolia Water and with their contract, Southern was still liable for purchased water and utilities. At that point there is 0 incentive for a contractor to do anything to manage the power or manage the line loss. UMG takes all of that which was an issue with the PSC trying to get them to understand that it is line loss, but it is their cost not the District's other than it is built into the contract. Commissioner Blackburn stated that he believes that there is a big move across the nation to remunicipalize that have gone private, like Veolia which is a huge corporation. He thinks it is the largest municipal management type corporation out there. He would imagine that they probably have had their eye on UMG at some point. Mr. Stratton stated that tap 4 is just a supplement to our last contract. The attachments did not get put on to the last contract so we did a supplemental agreement to add the attachments that go there. If anyone has any questions about the contract or your legal responsibilities or duties, let him know and that concludes his presentation.

COMMISSIONER COMMENTS

None.

ADJOURN MEETING

Chairman Casey requested a motion to adjourn the meeting. Commissioner Adkins made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-05-014

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

June 24th, 2015
10:00 AM

ATTENDEES

Russ Martin, Resident, Pikeville, Ky.
Bobby Varney, Magistrate, District 6
Chris Anderson, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Stephen Caudill, Bell Engineering
Tim Campoy, EDC, Inc.
Dan Stratton, Stratton Law Firm
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, June 24th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Commissioner Ancie Casey
Commissioner Kelsey Friend, III
Commissioner Prentis Adkins
Commissioner Eddie Hurley

Commissioner Mike Blackburn was absent for this meeting.

VISITORS AGENDA ITEM II

Chairman Casey inquired if there were any visitors who wished to speak. There were none.

APPROVAL OF MINUTES AGENDA ITEM III

Chairman Casey requested a motion to approve the minutes of the regular meeting held on May 27th, 2015 as presented. Commissioner Adkins made the motion to approve the minutes as presented. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-06-001

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

In the absence of Mr. Spears, Carrie Hatfield gave the financial status report. Mrs. Hatfield stated that for the month of May, cash in bank was \$428,622. Accounts receivable was \$980,534. Plant in place was \$139,084,676. Accounts payable at the end of the month was \$1,692,936. Equity position is \$79,389,841. Revenues for the month were \$727,265 and for the year is \$3,658,274. Utility Operating Expenses were \$962,805 and \$4,741,477 year to date. The loss for the month was \$273,676 and \$1,241,073 year to date. Included in the loss is depreciation of \$271,779 and \$1,358,897 year to date. Cash increased for the month in the amount of \$106,853 probably because this is a higher usage month. The current operating account balance is \$167,511 as of the end of May. We will be transferring the \$11,340 to the KIA reserve account and the \$9,902 to the RD reserve account. We will also be transferring the \$55,000 to the sinking fund for our bond payments as well. She stated that we have RD bond payments due July 1st. Mrs. Olson distributed a handout listing the payments to the Board members for approval. Chairman Casey requested a motion to approve the July 1st bond payments to Rural Development. Commissioner Hurley made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-06-002

Chairman Casey inquired if there were any other questions regarding the financial report. There were none. He requested a motion to approve the financial report as presented. Commissioner Friend made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-06-003

PAYMENT OF BILLS AGENDA ITEM V

Mrs. Olson distributed handouts for the payment of the bills to the Board members. After several minutes of review, Chairman Casey requested a motion to approve the payment of the bills. Commissioner Adkins made the motion to approve the bills as presented upon availability of funds. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-06-004

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

Mr. Potter stated that we are still catching the last part of April on the flooding and it can carry up to three months back and he predicts it will start dropping some next round. Chairman Casey requested a motion to approve Customer Adjustments in the amount of sixteen thousand, five hundred and seventy-seven dollars and nine cents (\$16,577.09) as presented. Commissioner Friend made the motion to approve the customer adjustments as presented. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-06-005

CONSTRUCTION REPORT AGENDA ITEM VII

Update by Dan'l Hall, Vaughn & Melton
Cliff Latta was not in attendance as well as Mr. Hall, so in their absence, Mr. Sawyers gave their project updates.

1. Millard Curve Line Relocation –DOT Project

Mr. Sawyers stated that there has not really been any change in the project since last month. It has been awarded and they are just waiting on everything to be scheduled to start.

2. Majestic Alternative Sewer Project

Mr. Sawyers stated that they are working with the health department to schedule the soil sampling and hopefully it should start sometime next week.

Update by Tim Campoy, Environmental Design Consultants

1. Cabin Knoll/Scott Fork DOT Relocation Project -

Mr. Campoy stated that there is a list in the Summary of Agenda of what tasks have completed as of Friday. As of today, the flush hydrant and creek crossing is being installed. There is a list of items that need to be dealt with. One of those items is that there is a requirement for them to put in something to prevent erosion along the creek bank where the pump station sits really close to it on the discharge side. They sent us a proposal for a concrete combination press block erosion protection and he went through it and wasn't satisfied yet with what they sent us. That just came Monday so they are to beef it up and provide us with an actual certified drawing. What we are looking like now is that we are looking to having the line portion completed next week and going into the following week for the tie in, sanitizing, pressure testing, etc. Mr. Potter stated that we have shut down the water we have accommodated them. There are 3 sections of 10" main that have to be tied in.

2. KY 610 – Virgie Bridge DOT Relocation Project –

Mr. Campoy stated that the Division of Water has approved the water relocation plan and have come back on the sewer relocation with 3 questions that they sent us several weeks ago that answers were submitted and we have been trying for a week to find out something from them and still can't get through to the people they need to talk to.

Update by Stephen Caudill, Bell Engineering

1. Deskins Curve Line Relocation

Mr. Caudill stated that they received the contract documents from the tank contractor along with the performance and payment bond. They have received the contract documents from H2O Construction as well as the performance and payment bond will be done this morning. Those will be forwarded to Dan Stratton for his review. As soon as those contracts are executed, they will set up a preconstruction meeting with the highway department and the District and go ahead and start construction. Chairman Casey inquired what the anticipated time line is for this project. Mr. Caudill stated that he anticipates beginning this project is early to mid July. Mr. Potter stated that this is where the District agreed to accommodate that highway department by doing that jumper bypass where the road was slipping and we impressed upon them that it needs to be undertaken and done prior to winter.

2. Marshall's Branch DOT Relocation Project -

Mr. Caudill stated that they have done some negotiations with a property owner there and the highway department came back and asked them to revise the plan to a new alignment to accommodate that property owner. They have modified those plans and they will distribute to the District, the highway department and everyone else early next week. If everyone is okay with it, they will go ahead and make the submission to the Division of Water. At this time it is intended that this line relocation will be done together so that the road contractor will actually know where the water line is. As soon as DOW approvals are received, it will be at the Department of Highways discretion as to when to proceed with bidding.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. Awarded Projects:

- Douglas WWTP Upgrade Project – Mr. Hunt stated that bids were opened on June 5th and Ovivo is the apparent low bidder. Ovivo provided a good product. We have reviewed it before in Rome, Ohio and were impressed with their equipment there. He, Mr. Potter and Mr. Sawyers have met with them a couple of times. The Belfry and Douglas projects were bid together. We were a little more stringent on our advertising this time basically holding the suppliers feet to the fire, so to speak. At this time he would not award the

Belfry yet because funding is not in place yet. If you award it now you are obligated to purchase it and we want to make sure we have funding in place to do that. Since Douglas' funding is in place and we are ready to move on that one, he recommends awarding Ovivo the contract for the Douglas portion only at this time. There is an addition to the contract that the District can purchase an additional 5 year warranty on the equipment; however we are still evaluating that to see if it is worth and trying to negotiate with them on that. Chairman Casey inquired if they were the only bidder. Mr. Hunt confirmed that as correct. Chairman Casey requested a motion to approve to award the bid for the membrane technology equipment for the Douglas WWTP Project only, to Ovivo, the apparent low bidder. Commissioner Hurley made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-06-006

- Phelps/Freeburn WWTP Upgrades & Rehabilitation Project – Mr. Hunt stated that the startups on the equipment were completed for the most part this week, however there was a small issue with the pumps. They were shipped from the supplier and were wired wrong internally. They have to get the two pumps fixed and it shouldn't be a major issue. The contractor is working on punch list items and we do have some remaining contingency on the project and it is the District's desire to add an additional concrete for the project along the entrance, storage building and in front of the press area. They will be doing a change order in the future for that at the end of the project but the cost will be \$16,000 for the additional concrete work and we do have monies in the contract for that. We are doing this for two reasons. It was originally in the contract to put all of that concrete in there. They took it out because the bids came in really high. We negotiated with the contractor and took out several different things that we would like to have, but wasn't 100% necessary to make the project work. So we had taken that out to make it fit within budget. We wanted to reserve ourselves for contingency in case there was something that popped up during construction that we would have additional monies for. We had a good contractor who worked with us and we didn't have any change orders on the project so now we have this contingency money for things that we had taken out and we are now adding it back into the contract. Mr. Potter stated that it is concrete in front of the structures where we will be offloading the chlorine to accommodate the trucks and also to make additional room for the loading and offloading of the sludge from the press. This will improve the site. Mr. Hunt stated that he needed approval to go ahead with that additional concrete. Commissioner Hurley inquired what the square footage is on the concrete. Mr. Hunt stated that he didn't have the square footage but they were doing it in cubic yards. They are going to place 40 cubic yards. Commissioner Hurley inquired how thick it would be laid. Mr. Hunt stated that they are going to do it as 5 inches. Mrs. Olson inquired if this would be a change order. Mr. Hunt confirmed that it would be a change order and he just needed approval to go with that and he will do the change order for that on the final wrap up change order that balances all of the quantities. Chairman Casey requested a motion to approve the concrete work be added to the contract for the Phelps/Freeburn WWTP Plant as a change order to the contract. Commissioner Friend made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye

Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-06-007

Mr. Hunt stated that there is pay request in the agenda for today for approval. The contractor asked for a reduction in retainage since everything is complete with the exception of some punch list items. He asked for a retainage reduction down to 5%. We were holding 10% on the contract. He reduced it to 5% and we are still holding over \$60,000 in retainage which should be more than enough to cover anything. The contractor is under a 1 year warranty also once the project is complete.

- Belfry/Pond Sewer Project Update – Mr. Hunt stated that this project coincides with the Douglas Project. Once we get closer and get funding commitments, we will award that portion and will need to get an extension probably from Ovivo to extend their bid. We currently have a 90 bid hold and if something was to happen between now and then we can go ahead and award the Belfry section also. Ovivo did say they would hold that and that that is the price and if you want to get one, you get one, if you want to get two, you get two. They are very flexible.
- FEMA BPS Mitigation Project – Mr. Hunt stated that he has sent some emails to Amanda LeMaster with the state. She has approved us to go ahead and proceed with awarding the project which we awarded it last meeting contingent on funding agency approval. We are in the process of notifying the contractor that he has been awarded the contract and he will be getting his bonds and insurance into us and then we will schedule a preconstruction meeting and let Dan Stratton review the bonds and insurances.
- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that the contractor is back on site. He has been doing his roadway crossing and connections to the main line, installation of meter bases and site prep for the installation of the pumps.

PROJECT DRAWS:

Chairman Casey requested a motion to pay the draws as presented contingent upon funding agency approval. Commissioner Adkins made the motion. Commissioner Friend seconded the motion.

PHELPS FREEBURN WWTP UPGRADE PROJECT

H2O Construction	Coal Severance Funds	\$ 66,653.00
\$66,653.00	Contract Construction	
Summit Engineering	Coal Severance Funds	\$ 731.68
\$731.68	Engineering Services	

VARIOUS WATER LINE EXTENSIONS, MAGISTERIAL DISTRICT #2

Summit Engineering	Coal Severance Funds	\$ 5,138.06
\$5,138.06	Engineering Services	
US Rentals & Construction	Coal Severance Funds	\$ 14,711.85
\$14,711.85	Contract Construction	

CABIN KNOLL DOT RELOCATION PROJCT

EDC, Inc.	DOT Funds	\$ 6,677.50
\$6,677.50	Engineering Services	

BELFRY/POND SEWER PROJECT

Summit Engineering	Coal Severance Funds	\$ 10,480.00
\$10,480.00	Engineering Services	

DOUGLAS WWTP PROJECT

Summit Engineering	Coal Severance Funds	\$ 4,463.81
\$4,463.81	Engineering Services	

Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-06-008

Chairman Casey recognized Magistrate Bobby Varney in attendance at the meeting and thanked him for being there and inquired if he had any comments that he wanted to make. Magistrate Varney apologized for being late due to a customer issue.

MANAGER / ADMINISTRATOR REPORT

1. **FEMA Declarations – 2015** – Mr. Potter stated that the Board has already done the Applicant's Agent Resolution and he just wanted to update the Board on what has been going on. We have met with FEMA and had the representatives here and took them around the county showing them the sites we are applying for. Mrs. Olson has been amassing paperwork to turn in and we are still jumping through the hoops of the process at this time. We have not received anything concrete yet on what is allowed or disallowed and we will continue working with them.

Mr. Potter also stated that he attended the Big Sandy Area Water Management Council Meeting yesterday along with Mr. Sawyers and applied for a telemetry rehabilitation upgrade for \$250,000.

We got a new WX number for that. We need to continue replacing the telemetry units because they are no longer serviceable with current technology and that is in the process.

Also, and Mr. Sawyers can speak to you about this, is the committee selections for Finance and Operations Committees, if you have made a decision on who you want to assign to those locations.

Mr. Potter called the Board's attention to the rest of the operating report listed for their review with regard to taps, meter testing, credit card payments, bacteriological sampling, etc.

Chairman Casey stated that he wanted to mention that Commissioner Blackburn is out of town right now at a two day conference or meeting and that is why is not in attendance today.

2. **Grinder Unit Requisition** - Mr. Sawyers stated that over the past few months we quoted and purchased 60 new units but in order to make a difference in the long run to keep from incurring so much cost in repairs, he suggests that for the next 2 months we keep purchasing 15 new units per month which is about \$16,395. Chairman Casey inquired, since for the last two years, grinder pumps have been on the agenda in some form, and with as many as we are using and purchasing, are there certain areas of the county where the vast majority is being used. Mr. Sawyers stated that Phelps' system is a little older and overall it is about 2 units to 1 over Shelby Valley as far as rebuilds. Commissioner Hurley inquired about how many units we have installed. Mr. Potter stated that the number is roughly 2,200 grinder units. Commissioner Hurley stated that he had looked at it once before and if you look at 2,200 warranted for 65 months. If you bought and kept some on hand you are not rebuilding them all the time and they would have warranty on them. Mr. Sawyers that if you look at the sheet you have in front of you...Mr. Potter stated that the problem is that the Board did not start a replacement program within the first 5 year time frame. Some of these have been in service since 2000. 85% to 90% of the units are out of warranty. We did the rebuilt program and it has lasted as an interim solution until the Board achieved enough financial stability to do it but it has come to the point where the rebuilding is costing as much or near what it costs for a replacement program. Commissioner Hurley inquired what we are paying right now for repairs. Mr. Sawyers stated that if they would look at the handout, a new unit is \$1093.00 and he roughed in the price for a rebuild which is roughly \$450 per unit if you do a total rebuild. What we have done the last few months is replace 15 per month and like Mr. Potter said, the cost of funding and having the financial stability to do so is about all we can do until we get some kind of reply back from the Public Service Commission. We are supposed to get a reply back from them in a couple of months. What he suggests is that we continue the 15 per month for the next two months and reevaluate when we hear something from the Public Service Commission. Then he would like to go to 34 per month to totally replace the whole system. Once we get these into the system, he suggested that we do one complete after that and then scrap it, because it does not pay for us to continue rebuilding these pumps. Commissioner Hurley inquired if when they go down if it is pretty much the same part on all of them. Mr. Potter stated that it typically is. The motors don't typically go out, the units either through the customers not doing what they need to, and if they become submerged they are not water tight, they are water proof. It is supposed to kick on and drain it down. If an issue occurs and it gets over the motor, and all of these types of units are the same, eventually water will infiltrate the system sensors and basically when you break the top seal you notice you'll have corrosion issues, you'll have to replace the sensors and alarms in it and that is what it is. It is internal electrical components. Commissioner Hurley inquired if there is anyone out there that the electrical part of it is above the water. Mr. Potter stated that there is one or two out there but they have their inherent issues. Mr. Sawyers stated that most places that you deal with as far as these units, they only give a 2 year warranty. We get a 65 month warranty so you are looking at more than double what anyone else gets. Commissioner Adkins inquired if the warranty is on these before these are set in place or after. Mr. Potter stated that they have worked with us in the past on a large purchase for a project. They won't do them for the purchase time; it will be at the install/startup time. Commissioner Hurley inquired where they have to come from. Mr. Potter stated that they come from Tennessee near Dale Hollow Lake. Commissioner Hurley stated that

he was just wondered if it would be better to just keep so many in stock and then purchase more and let them keep them in stock, especially if the warranty is going to start when you pick it up, surely you don't need to pick it up until you are ready to put it in. Mr. Potter stated that typically it starts at install but they would work with us on that. They have worked with us in the past like when we did the Collins Highway project, the contractor needed a 100 and he purchased them up front but they were sent 15 or 20 at a time as the project went along and it didn't start...but they held them on site. Commissioner Hurley stated that we just need to watch that. Mr., Sawyers stated that when an employee does his work order, he tracks the number off the pump...Mr. Hunt stated that once it is started there is a number on the pump and that starts the warranty. Mr. Sawyers stated that he would like to purchase 15 a month for the next two months. That will help some but is not where we need to be. When we hear from the PSC he would like to put it in place that we can totally replace the system at 34 per month with that 65 month period. The additional cost over the next two months would be an additional \$10,000 per month for the cost of new versus rebuilding the old. Someone questioned how long a rebuild lasts. Mr. Potter stated that it varies based on where it is in the system. We have had some, like Jamey Keathley's unit, that were in 10 years before they went out. We rebuild it and put it back and it has been in a couple of years. It depends on the hydraulics of the system, what it is dealing with and where it is going. We have been doing a rule of thumb that the guys actually engrave on the pumps so they know if it has been in before. We can still do some rebuilds but when it reaches the break point, that is when we put them to the side. He is not against an initial rebuild for one that has minor issues, but when you have to keep and go back into it over and over it becomes an issue. Mr. Potter stated that it is kind of like putting a motor in a car and saying "how long will it last"? Well, if you're driving it on the 4 lane it may last forever, but if you are driving back and forth over Bull Mountain going to Grundy every day it might last 6 months. Mr. Sawyers requested again that the Board approve the purchase of 15 units per month for the next 2 months or until they hear back from the Public Service Commission and then they will reevaluate the issue at that time. Chairman Casey requested a motion to that effect. Commissioner Adkins made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-06-009

3. Advertise for Bid – Skid Steer Loader

Mr. Sawyers stated that we have to have a skid steer loader for the project at Phelps/Freeburn. The monies were already appropriated in the project for equipment and we have already advertised for a used one in the newspaper. Chairman Casey clarified that the money is already in the project. Mr. Potter stated that is correct but the District is purchasing it as opposed to the contractor. Chairman Casey clarified that the money is already in the project but we are purchasing it through the District with that project money. Mr. Sawyers confirmed that and stated that he had already advertised for bid to speed up the process because we need it since the press is going on line. It was in the weekend edition and should have some bids in this Friday. He needs the Board to approve to award the purchase of the Skid Steer Loader to the low bidder and within the monies available. Chairman Casey requested a motion to allow Mr. Sawyers to execute the Skid Steer Loader purchase to the lowest bidder out of the project funds for Phelps/Freeburn WWTP Project. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye

Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-06-010

Chairman Casey requested a motion to approve the Manager/Administrator Report as presented. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-06-011

NEW BUSINESS

1. By-Laws for the Mountain Water District

Mr. Stratton stated that one of things that we've picked up on through the process with the PSC is looking at our by-laws. Our by-laws were done in 1988 and they have a lot of things in there that aren't applicable anymore. He got with Jack Hughes and he made some recommendations and we have developed some new by-laws for the Board's consideration. He proposes that the Board review the old and new ones and address it again next month, that way if anyone has questions they can address those at that time. What he has tried to do is to strip it down to bare bones by-laws. The Board took the handouts and agreed to look at the issue again at the July meeting.

2. Legal Issues

Executive Session to Discuss Outstanding Litigation and Potential Litigation -

1. Williamson Wastewater Contract Update

With no update on the Williamson Wastewater Contract issue, no executive session was needed.

COMMISSIONER COMMENTS

Commissioner Adkins inquired about Rolling Hills at Shelby. He stated that he is getting numerous complaints up there about the water pressure. Mr. Potter stated that he would put a chart in up there and check it again. What we are actually doing is in conjunction with the new school being put in, part of that line is dead up there and we are going to redo the regulator station and increase its size to handle better flow and he anticipates that will help some. He will look at it again though.

ADJOURN MEETING

Chairman Casey requested a motion to adjourn the meeting. Commissioner Hurley made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Aye
Commissioner Blackburn	Absent
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-06-012

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

July 29th, 2015
10:00 AM

ATTENDEES

Chase Ellis, Appalachian News Express
Julia Roberts, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Tom Jones, Bell Engineering
Steve Dale, Bell Engineering
Tim Campoy, EDC, Inc.
Dan Stratton, Stratton Law Firm
Mike Spears, Spears Management
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER

AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, July 29th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Commissioner Ancie Casey
Commissioner Kelsey Friend, III
Commissioner Mike Blackburn
Commissioner Eddie Hurley

Commissioner Prentis Adkins was absent for this meeting.

VISITORS

AGENDA ITEM II

Chairman Casey inquired if there were any visitors who wished to speak. There were none.

APPROVAL OF MINUTES

AGENDA ITEM III

Chairman Casey requested a motion to approve the minutes of the regular meeting held on June 24th, 2015 as presented. Commissioner Blackburn made the motion to approve the minutes as presented. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-07-001

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears gave the financial status report. Mr. Spears stated that for the month of June, cash in bank was \$362,412. Accounts receivable was \$959,327. Plant in place was \$139,234,527. Accounts payable at the end of the month was \$1,650,522. Equity position is \$79,322,404. Revenues for the month were \$751,449 and for the year is \$4,409,723. Utility Operating Expenses were \$946,035 and \$5,687,512 year to date. The loss for the month was \$226,238 and \$1,467,941 year to date. Included in the loss is depreciation of \$271,779 and \$1,630,676 year to date. Cash decreased for the month in the amount of \$66,211. The current operating account balance is \$114,985 as of the end of June. We will be transferring the \$11,340 to the KIA reserve account and the \$9,902 to the RD reserve account. We will also be transferring the \$55,000 to the sinking fund for our bond payments as well.

Chairman Casey inquired if there were any other questions regarding the financial report. There were none. He requested a motion to approve the financial report as presented. Commissioner Hurley made the motion. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-07-002

Mr. Spears stated that he wanted to make the Board aware that Mr. Paulmann will be starting with the audit in the next two (2) weeks for the District.

PAYMENT OF BILLS AGENDA ITEM V

Mrs. Olson distributed handouts for the payment of the bills to the Board members. Commissioner Blackburn clarified that the District owes UMG four payments. Commissioner Hurley inquired if we will pay that or keep pushing it on. Mrs. Hatfield stated that in August you will have two more and then you'll have two more. Commissioner Blackburn stated that it will remain about the same then. Mrs. Hatfield confirmed that as correct. Commissioner Blackburn inquired if the sinking fund transfer made was for June. Mr. Spears stated that we make those payments every month and when we paid the bond payments in June, that comes out of that fund. Commissioner Blackburn clarified that it was for June. Mr. Spears confirmed that would have been for June. After several further minutes of review, Chairman Casey requested a motion to approve the payment of the bills. Commissioner Friend made the motion to approve the bills as presented upon availability of funds. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-07-003

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

Mr. Potter stated that it is what it is. The people are applying for them and they are in accordance with the District's policy. He can't control the adjustments unless the Board changes their policy regarding how many months can be applied for. Mr. Lowe stated that two (2) of the fifty-two (52) adjustments account for 40% of the total amount adjusted. Mr. Potter stated that there was one down at Phelps Senior Housing and the other was at Eastern Housing. Commissioner Hurley inquired where Eastern Products was. Mr. Potter stated that he really didn't know. He stated that if the Board wanted to revisit their adjustment policy, that would be a tariff change. If we are going to do anything to the tariff at any point, you are allowed to do that once per year. Mr. Sawyers stated that this is pretty standard with what PSC has everyone do though. Mr. Potter stated that it is pretty much along those lines. The District allows three (3) months and there are some that do shorter time frames. Mr. Lowe stated that we have the number of months adjusted listed on the adjustment sheet and some had a leak and fixed it in one month. And the policy now is that we can go up to three (3) months. Commissioner Hurley confirmed that we adjust three (3) months. Mr. Lowe confirmed that and added that it is three (3) consecutive months. Mr. Potter stated that he believes the Board changed that about four (4) or five (5) years ago. Mr. Lowe stated that it is pretty standard to go at least two (2) months. Commissioner Blackburn inquired what triggers the note on the bill that says "possible leak". Mr. Potter stated that the Automatic Meter Read system senses water usage continually and when it senses water being taken through the meter for a 24 hour period, no matter what amount, it detects and issue and is just notifying the customer that at some point during the read cycle, there was water running that meter on a 24 hour basis. Commissioner Blackburn clarified that it is not an exceedance in your normal usage but triggered by the meter spinning for 24 hours. Mr. Potter confirmed that as correct. There are smarter meters which are more expensive that are two way and you can program different levels but there is a cost to all of that. Commissioner Blackburn stated that with a two way you could probably shut it off remotely. Mr. Potter stated that is something they are looking at. You have to put in a solenoid valve that is automatically controllable. There are a couple of companies putting those out now. They are sort of in the development stages in the last few years and have seen a vendor bring one in for them to look at because we have certain parts of the area that are disconnected every month. It is a service call. It would be handy but right now for the add on to the meter is around \$70 and you have to upgrade your system to be able to handle it. Commissioner Blackburn inquired why it would take a customer three (3) months to react to a leak. Mr. Potter stated that they know they have three (3) months and can get it adjusted. Mr. Lowe stated that it almost always takes at least two (2) months because most of the time they don't know it until they get that bill that says "possible leak". By that time it has leaked on the first bill and the next bill is going to be high too. It is always at least two months. Mr. Potter stated that he has seen people that say they know they have a leak but knows that the District adjusts up to three (3) months and it takes them time to get someone to come in and fix it. Part of the process is that they have to sign an affidavit or verification that somebody did the work and the parts they utilized, to verify they fixed a leak. ~~There have been policy changes over the years and he would like to schedule a work session to sit down and talk about some of the policies you have in place and if the current Board would like to review those and maybe make some changes so that if we do want to make a tariff revision we can do it all at one time since changes can only be done once per year. Mr. Stratton stated that the next tariff change would be if we are approved for the rate increase, we have to amend our tariff for that.~~ Mr. Potter stated that would be a good time to make any changes. Mr. Sawyers stated that we can make a copy of the current tariff changes and hand those out at the next board meeting for review while we are waiting the PSC to hand down their decision. Mr. Lowe stated that they can go to our web site as well and look at the current tariffs there for water and sewer. Chairman Casey requested a motion to approve Customer Adjustments in the amount of ten thousand, three hundred and sixteen dollars and fourteen cents (\$10,316.14) as presented. Commissioner Hurley made the motion to approve the customer adjustments as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-07-004

CONSTRUCTION REPORT AGENDA ITEM VII

Update by Dan'l Hall, Vaughn & Melton

Cliff Latta was not in attendance as well as Mr. Hall, so in their absence, Mr. Sawyers gave their project updates.

1. Millard Curve Line Relocation –DOT Project

Mr. Sawyers stated that there has not really been any change in the project since last month. It has been awarded and they are just waiting on everything to be scheduled to start. Mr. Potter stated that it may be a while because he has heard that Greer is in the process of maybe selling and are not starting any of their projects right now but he is not sure.

2. Majestic Alternative Sewer Project

Mr. Sawyers stated that they are still looking for a response from the health department. They have been scheduling them to do the soil sites in the next week or two to do the soil sampling in order for them to determine what they can do. Chairman Casey inquired what we can do to speed that up. They have been getting the same report for the last year and a half. Mr. Sawyers stated that he and Cliff Latta have called the health department a couple of times in the last few weeks trying to speed this up. He has indicated that we are looking at the week of August 3rd to begin the soil sampling.

Update by Tim Campoy, Environmental Design Consultants

1. Cabin Knoll/Scott Fork DOT Relocation Project -

Mr. Campoy stated that this is the relocation a 10" water main due to a new bridge construction. The contractor has really been held up on getting parts in for the PRV. The vault has been installed for over a month and he finally got parts shipped last Friday and they are on their way. Hopefully they will be here this week and they can continue this project. For several weeks they have been back and forth with the highway department and the contractor about how to stabilize and protect the creek bank which is where the booster pump station sets and is very close to it on the discharge side. The highway department has come back and said they believe that the last proposal they made satisfies their contract. He and Mr. Sawyers has talked about it and he has a letter from them stating that they have designed something that is certified by a professional engineering that it will work. Even though we don't think it fully complies with the intent of our meeting with them in the pre-design phase, they are saying that it will work and have certified that it will. He reluctantly suggests that we go ahead and go with what they are doing because anything that we want to do, they say would be violating their DOW permit for the stream. Mr. Potter inquired if they have passed their latest pressure test yet. Mr. Campoy stated that they have had five (5) failed pressure tests and they keep finding small leaks and working on things. They only have less than a half a gallon of water that they are allowed to lose and it is a short distance of line. They just ran another one and took the meter reading off and they haven't seen the printout yet but they do think that this one will pass. Mr. Sawyers inquired that this was five

pressure tests for how many feet of line? Mr. Campoy stated that it was about 200 feet. Commissioner Hurley stated that he would have dug that up and redone it. Mr. Campoy stated that it is not a simple straight 200 feet of line but it was a tough little installation. They still have to install the flush hydrant and do all of the connections, flush it and bacteria test it. Mr. Potter stated that this is a critical transmission line for the District. He and Mr. Sawyers have put some pretty tight stipulations on how long they can have the water off to accomplish their tie ins. They have had some issues dealing with these people when they were told up front. He will do his best to accommodate them but will not compromise the systems integrity. So if any of them get a call from someone, he is just making them aware. Commissioner Blackburn inquired when they anticipate the tie ins being done. Mr. Potter stated that they have to pass the pressure test first and then coordinate with the District on the tie ins. Mr. Campoy stated that this project is a part of the bridge construction. G & W has subbed under Bush and Burchett. Everything goes back through to the highway department. Commissioner Hurley stated that he understands that but he don't want it turned over to us and it be a messed up line. That is the problem you run into. Mr. Campoy stated that when we did the job at Scott Fork, the contract was chosen here. Mr. Potter stated that the highway department, as of late, want the water line relocations usually in the road contracts so he is assuming they have no control. Mr. Sawyers stated that they have told them that from this point on, we don't want it that way. Mr. Potter stated that he would prefer...Commissioner Hurley stated that it shouldn't be worked that way when you can't let somebody else do poor work and hand it to you. If they were going to do that he would say he wanted a 10 year warranty with it. Mr. Potter stated that we are already dealing with those kinds of issues here from 20 years ago. Commissioner Hurley stated that we really need to watch this contract stuff and if they don't do a good job we need to take them off the list and not let them do anymore. Mr. Sawyers stated that they have already let them know that. Mr. Campoy stated that he believes that the contractor is still two to three weeks away from completion given the progress they are making and he has been trying to reach them all week to confirm that the parts did ship on the 24th and what their expected arrival date was and haven't gotten any response from them. Mr. Potter stated that when you do a highway job like that and it is included in the road contract it has to be a preapproved contractor that is on their list and there is not that many people in our area or come to our area that are certified by the state to be on their approved list. Mr. Sawyers stated that recently they have approved an additional one and that one is a good option and should be okay. Commissioner Hurley stated that it looks like the state would go by the one that the District approves of. Mr. Sawyers stated that they had a list and they allow those to bid. That one was recommended by the Department of Highways, not by us. Commissioner Hurley stated that they should go by the recommendation of the District.

2. KY 610 – Virgie Bridge DOT Relocation Project –

Mr. Campoy stated that the Division of Water has approved the water relocation plan and the sewer approval was received today. They anticipate having a contract ready for the District to sign next week so he requested that the Board approve the execution of the contract contingent upon review and approval of the District's legal counsel. Chairman Casey requested a motion to approve the execution of the contract for the KY 610 – Virgie Bridge DOT Relocation Project contingent upon review and approval of District Legal Counsel. Commissioner Blackburn made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-07-005

Mr. Potter stated that this project will be another difficult project. There are actually two sewer lines and a main feed water line to Long Fork up there and we will have to coordinate tightly with

the state. Mr. Campoy stated that hopefully, the way they will work that is that they don't have all of the funding together for this job just yet, and it could be where we get to choose the contractor up front like we did with the Scott Fork project. They do want to go ahead and move toward getting that work done this year and he doesn't think they are really looking at the bridge until next year some time.

Update by Tom Jones, Bell Engineering

1. Deskins Curve Line Relocation

Mr. Jones stated that a pre-construction meeting is scheduled for this afternoon and he has the contract documents and notice to proceed ready for signature at the pleasure of the Board. Mr. Potter clarified that Mr. Stratton has reviewed those documents already. Mr. Stratton confirmed that as correct. Mr. Potter stated that the Board needed to authorize the execution of the contract documents and notice to proceed for the Deskins Curve DOT Relocation Project. Chairman Casey requested a motion to that affect. Commissioner Blackburn made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-07-006

Mr. Potter stated that any of the Commissioners are welcome to stay for the pre-construction meeting which will be held here at 1:00 pm.

2. Marshall's Branch DOT Relocation Project -

Mr. Jones stated that plans and specifications are complete for this project. The documents have been circulation for final review. This relocation project will be included in the highway contract.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. Awarded Projects:

- Douglas WWTP Upgrade Project – Mr. Hunt stated that they have awarded the contract to Ovivo for the equipment for the project. They had a design meeting yesterday with Ovivo, himself, Mr. Sawyers and Mr. Potter and they discussed some particulars with Ovivo what they expected and what they wanted done and how they wanted them to lay out certain items of the plant and equipment inside the plant. They indicated that they anticipated have a draft drawing to us in about 2 ½ weeks.

- Phelps/Freeburn WWTP Upgrades & Rehabilitation Project – Mr. Hunt stated that the project is complete and startup of the equipment has been completed and the final pay request and reconciling change order is ready for execution today, as well as the Release of Liens. He would caution the District not to issue final payment to the contractor until the Release of Liens is signed. We anticipate getting those done this afternoon. On the reconciling change order, there is an add/deduct there, where the contractor did not use a lot of the stone that was already in the preliminary contract and was a deduct. There were some additional monies left over and he discussed it last time where they added some concrete paving to the contract and that has been added in as the final adjusting change order. There is a warranty issue on this project and he will get that out to the contractor on that. He is aware of it and has indicated he would handle it and fix it.
- Belfry/Pond Sewer Project Update – Mr. Hunt stated that in conjunction with the Douglas Project they are also doing the Belfry Project. They had a public meeting yesterday afternoon at Belfry and a couple of Board members were there. It was a good meeting that was held in accordance with the requirements for the RD funding. They had a pretty good turn out from the public. Everyone seemed interested in the project and there were a lot of questions answered and overall good meeting. There were approximately 25-28 people at the meeting.
- FEMA BPS Mitigation Project – Mr. Hunt stated that the pre-construction meeting is scheduled for today at 2:00 pm for this project. He requested a motion for the Board to approve to execute the contract documents for this project once they are made available and reviewed and approved by legal counsel. Mr. Stratton has already reviewed the bonds and insurance for the project and the contract documents are standard RD style format and is nothing different that what is typically signed for other RD projects. Chairman Casey requested a motion to approve the execution of documents for the FEMA Mitigation Project. Commissioner Hurley made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-07-007

- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that the contractor is 90% complete with this project and is working on the installation of the pump stations and testing of the lines and final connections on some meter sets there. He anticipates the contractor to be finished up in about 2 weeks in everything cooperates and goes as planned.
- Pompey Water Line Extension – Mr. Hunt stated that the District has been given some AML funds and they are in the process of finalizing and Mr. sawyers is working with ARC for additional funds as well. They anticipate this project to go fairly soon. In preparation of

that project he has forwarded an addendum to Mr. Stratton for his review. He has reviewed it and sent it back to them for their contract. For the new Board Members, there was funding that was made available several years ago for the design only for the Ridgeline Road Project area. Summit Engineering did the design for the entire area. They got funding for the construction of the Jonican area and AML paid for the Hurricane side. They did an addendum to the contract for the Jonican Project as well to provide construction admin, to bid the project and provide inspection services for that project. That project was completed. Now the last section which connects the Ridgeline Road Project down into Pompey and connects into Raccoon; that funding is available or will be available very shortly. He has the addendum with him today for approval for additional design for the Pompey Project, which they have reduced the amount on. They do have to go back to the DOW and get a new permit and have to divide the project into two different contracts because AML pays for one portion and mitigation monies pays for another portion. AML has requested that they do some upgrades to the existing pump stations that they have paid for in the past and they have to do sizing of a generator; also for bidding, administration and inspection of that project. Mr. Potter stated that AML has paid for one part that had mining impact and we are telling him that we can serve the people they pay for better or more efficiently in case of issues by tying the loop together. He can theoretically bring water either way behind the lake from either side. So they are saying that they will pay for part of the project to help the District serve more efficiently but upgrade our stations to make it more reliable. Mr. Hunt stated that the addendum is built into the funding of the project and the District will not incur any of that additional cost. Mr. Stratton stated that he has reviewed the wording and it is fine but they need to look at the numbers to make sure they are okay. Mr. Hunt stated that the resident inspection is based on the RD scale and they reduced the design on the project by 50% of the RD rate schedule because the majority of the line is already done. Typically what they do is that there is 20% of the total design fee used for construction admin, 10% of that is used for the bidding process. So for the redesign and resubmission to the Division of Water they are only doing 20%. The design is 50% of the original RD rate and is \$62,165. The resident inspection is for \$76,511. Chairman Casey requested a motion to approve the addendum for the Pompey Project with Summit Engineering. Commissioner Blackburn made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-07-008

Mr. Sawyers stated that regarding the Pompey Project, they just had the paperwork signed to submit the ARC funding by BSADD this week. We may hear something pretty quick on that. We were guaranteed by Peggy Satterly that we should get that funding since we already had the \$1.4 M in regards to mining mitigation and AML funding.

The meeting for the Belfry Sewer Project went well and BSADD stated that they were coming along really well on their paperwork and should have it submitted in 2 weeks. He spoke to Elwood Howe last week and he said there should be a pot of money come available within 30 days, so he assumes some time the end of August. They had our application and will be able to review it and may hear something in 45 to 60 days on it. Commissioner Blackburn stated how she explained where the funds are coming from that are available. Mr. Blackburn stated that these are funds that were approved and not used and turned back in. That is where that funding is coming from.

Mr. Hunt stated that something that came up with this ARC money for Pompey; Elwood Howe is now handling the ARC and has requested some additional information and summary of addendum. He doesn't

need that whole thing, just the last couple of pages for the Pompey section. They will be working with Mrs. Hatfield to get that information and get that back to Mr. Howe. Also a summary of addendum is required on Belfry for RD and they will be working on that also. This is basically the economics of the project.

PROJECT DRAWS:

Mr. Spears stated that he has two draws to submit that came in late. He has one for \$3,000 for Administration on the Phelps/Freeburn WWTP Project and one for \$3,000 for Administration for the Various Water Line Extension Project – Magisterial District #2. Chairman Casey requested a motion to pay the draws as CORRECTED contingent upon funding agency approval. Commissioner Hurley made the motion. Commissioner Friend seconded the motion.

PHELPS FREEBURN WWTP UPGRADE PROJECT

H2O Construction	Coal Severance Funds	\$ 99,845.00
\$99,845.00	Contract Construction	
Summit Engineering	Coal Severance Funds	\$ 3,231.68
\$3,231.68	Engineering Services	
MGC Supply	Coal Severance Funds	\$ 19,800.00
\$19,800.00	Skid Loader Equipment	
Consolidated Pipe	Coal Severance Funds	\$ 9,932.40
\$9,932.40	Project Materials	
Spears Management	Coal Severance Funds	\$ 3,000.00 * Added
\$3,000.00	Project Administration	

VARIOUS WATER LINE EXTENSIONS, MAGISTERIAL DISTRICT #2

Summit Engineering	Coal Severance Funds	\$ 10,276.13
\$10,276.13	Engineering Services	
US Rentals & Construction	Coal Severance Funds	\$106,509.15
\$106,509.15	Contract Construction	
Spears Management	Coal Severance Funds	\$ 3,000.00 * Added
\$3,000.00	Project Administration	

CABIN KNOLL DOT RELOCATION PROJCT

EDC, Inc.	DOT Funds	\$ 3,547.50
\$3,547.50	Engineering Services	

Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-07-009

MANAGER / ADMINISTRATOR REPORT

- 1. FEMA Declarations – 2015** – Mr. Potter stated that the first event in February and the permanent work on the second event in March have been submitted to FEMA. Ms. Olson has been working with them on those and he has the amounts with him. The permanent work on the leak that was at Feds Creek, they have approved \$3800 for that repair work. On the original emergency work during the freeze they have approved \$50,000 worth of work that the Board and UMG incurred that time frame. We still have to submit the permanent work on the second one and for the April event. Ms. Olson will be working with Lisa Palmieri on those and we have been providing the information as she needs it. Lisa has worked with Ms. Olson on the 2010 FEMA declaration that has not been finalized and paid out on the final amounts. They are going to try to put a rush on those to get them finalized. For the current declarations, we are providing the documentation on what it costs as far as time, fuel, chemicals and parts. FEMA wants their information down to the nth degree, then they take their book that they pay for things and go by that allowable amount. You may ask for X dollars and get less or a small amount and get more. Commissioner Blackburn inquired what the total was that we asked for. Ms. Olson stated that she submitted a request for around \$59,000, so for them to only disallow \$9,000 is great. Mr. Potter stated that this set of FEMA representatives have been excellent to work with and they do understand water and sewer. We have had people come in to the area that don't have a clue what we are doing and we were fortunate this time to have people that understands our industry this time. Commissioner Blackburn inquired if most of the damage isolated or across the whole system. Ms. Olson stated that this one was for the freeze. Mr. Potter stated that this one over the whole system. It was primarily frozen and busted meters and lines frozen and busted system wide. The second one was actually when the snow melted and we got a lot of rain and had some flooding that took some lines out and we have the land slide at Feds Creek that actually crushed the 6" ductile iron line. We requested nearly \$7,000 on that one alone and were allowed \$3,800. As those come in we will make you aware of those situations. He knows someone will probably ask as to what we incurred in the last big rain in mid July. It did impact the system. There are sections of line in the Big Creek area that basically run through the bottom. The contractor did not lay it in the ditch. He got special permission from the Board at that time not to put it in the ditch but go through the bottoms near the creek. There are 15 or so creek crossings within a mile. This is a continual issue. We have 6 places out within a 2,900 foot area. There is no longer anywhere to put the line back anymore. The creek bank where the line was laying is eaten out and is gone. We have isolated the area but cannot move water as we need to at this point. He has it turned off on both directions and have run a couple of 1,500 foot service lines to 12 customers over there to keep them in water. This needs replaced. He and Mr. Sawyers have looked at it and it needs to be bored back across the road and put in the ditch, retie all of the services back off and get it away from the creek. There is actually about 12 miles of line and he knows we can't do it all, but this is causing a hydraulic operational issue at this time. His best estimate, based upon some of the construction costs we are seeing, it will cost about \$97,000-\$98,000 to relay 3,000 foot of line and reconnect 14 customers and we will have to get a highway permit and you will have to engineer it because you will be moving the line and changing the hydraulics of the system. You are looking

at about \$125,000-\$130,000 by the time you pay engineering and everything on it. This is causing an operational issue at this point and he can go over it in more detail with anyone that wants to see it. This is something that he recommends that the Board look at doing as soon as possible. Commissioner Blackburn inquired where this is down Big Creek. Mr. Potter stated that it is down near Francis Subdivision. Chairman Casey stated that this has to be addressed. Mr. Potter stated that it is and has been an issue and that he just repaired 300 foot for the district earlier. He showed them on a map where the area has all of the wash outs at this time. Commissioner Blackburn inquired how many customers were affected. Mr. Potter stated that this affects 14 customer connections and stated that right not he has it valved off and has run emergency service lines on top of the ground and reconnected the customers that were out. There are six spots out between Francis Subdivision and the curve on Route 292. It is 2,900 feet and two highway bores and relocate all of the customers in between there. Mr. Sawyers stated that this will need to be done before freezing weather comes. Chairman Casey stated that what the Board needs to do is to take action. Put it on the agenda for next month's meeting and to take appropriate action. Mr. Potter stated that Mr. Spears might need to work out some scenarios. He doesn't know if there is any money they can get out of that for Big Creek. Mr. Spears stated that he will have to check but it is such a minimal amount of our overall debt that he would suggest they approach a bank about possible funding. Chairman Casey inquired if Mr. Potter and Mr. Spears can have an analysis of cost and possible funding for the next Board meeting. They agreed. Mr. Potter stated that it is limiting his ability, if there were other factors like another flood that occurred right now, that he would lose a section because that is one of those areas where he can bring water from either way and he has lost that ability now. Commissioner Blackburn inquired if he had done the estimate of the cost for repairs. Mr. Potter stated that was his estimate based on construction numbers. He has spoken to Jody Hunt with Summit Engineering and Danl Hall with Vaughn and Melton on current construction costs. Based upon current pricing; what we are seeing from contractors, that is numbers he used for the road bores (it would have to be cased) and 6" PVC piping. Someone may come in lower. Instead of \$23 per foot they may come in at \$28 per foot. You are at the whim of the contractor. Commissioner Hurley inquired how many feet of line it was. Mr. Potter stated that it is about 2,900 feet. Commissioner Hurley inquired if it had to be engineered out. Chairman Casey stated that he didn't think you would with this being a part of our system. Mr. Potter stated that probably not, we are not changing the hydraulics but will still have to have a highway permit and will have to bond it. It is over \$20,000 so you will have to bid it out. Commissioner Blackburn inquired if this was something that we wanted to get bids out in September then. Chairman Casey stated that they could address it at the next meeting and take immediate action at that time. Mr. Stratton stated that it would be a motion to look at financing options and nail down the costs and bring a specific proposal for the Board's consideration. Commissioner Hurley inquired if a project like this could be done in-house. Mr. Potter stated that it is more that what we can do in-house. Commissioner Hurley inquired what size of a project can be done in-house. Mr. Potter stated that he has replaced 300' sections down there. When he has to pull a couple of crews you get away from your daily maintenance, that is just a little bit too much. Commissioner Blackburn clarified that he did all of the remedial work to get these people back in service. Mr. Potter stated that "yes" that is part of our job and we have to do that to keep the water on for customers and things is part of his daily operations, but to dedicate a week or two we can't undertake that without it being detrimental to the system. We do not have the personnel to do that and maintain the system. We will do whatever it takes during emergency situations to get people back in water or whatever. Commissioner Blackburn inquired if all of this damage at Big Creek came from the last storm or was it accumulative damage. Mr. Potter stated that it has been eroding this way since 1997. He can document over the years how many times this has happened, but this last part was from the mid July storm. Our guys go down through there looking for exposed lines. We try to stabilize it when we can and this is another leakage area that we know but there are 1,000 miles of line in this system and that is not the only place that the District's line was not placed in the most appropriate place for the line to be situation. There are exposed lines right here on Zebulon Highway on this 10" main line. Mr. Sawyers stated that all of the line at Big Creek is in the sand. Mr. Potter stated that every time it gets up or a tree falls, blocks the creek, it meanders, cuts a new path and takes out 300' of line.

2. **Douglas WWTP Theft Update** - Mr. Potter stated that he doesn't know how many of the Board members remember but last year we got hit and lost several thousand dollars worth of equipment at the Douglas WWTP. The Board and UMG put out there that if anybody could identify the persons responsible or gave a tip that lead to the arrest and conviction of the responsible persons, we would pay them \$500. We did have a person who gave a tip to him and he relayed it to Mr. Sawyers. Mr. Potter and the Wastewater Supervisor went into Floyd County and identified the District's property with a Detective. They were convicted and he thinks the Board had offered \$500 and UMG offered to match it. The individual has asked that his name not be released to the general public due to possible retaliation, but it is verifiable that he did provide the information that led to their conviction. He knows UMG is going to do their part. Chairman Casey stated that the District will do theirs also and he remembers this happening. Commissioner Blackburn inquired how we were going to get the money to him. Mr. Potter stated that he has spoken to Dan Stratton about it. Mr. Stratton stated that his recommendation would be that they pay him in cash because a check would be subject to open to records and we are verifying through UMG's representative and Mr. Sawyers that this is the appropriate individual. Mr. Potter stated that the individual stated that he didn't want someone to burn his house down or something like that if it got out that he was the one who provided the information. Mr. Potter also stated that he believes it would be a deterrent if we didn't protect his identity because others would not come forward with information if they would be publicly identified. Mr. Spears stated that he would suggest writing a check to cash for this instance with a notation as to what it is to be used for and that way we have a tracking mechanism on our part. Chairman Casey requested a motion to that effect. Commissioner Hurley made the motion. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-07-010

Mr. Sawyers stated that we have been contacted by Buchanan County PSD in Virginia. They have an ongoing project in PawPaw. Mr. Potter showed the Board on the map where the project area lies. He stated that they have water near the Kentucky side of PawPaw where the road goes over into Kentucky. Mr. Sawyers stated that there are two houses in our service area that they want to provide service to. He doesn't have a problem with that, but they have offered to put in two master meters and supply additional customers in the area. His though is that it is so far away and so far out of the District that maybe we could relinquish these two areas to the Buchanan County Public Service District. Commissioner Blackburn inquired if they would take them. Mr. Potter stated that they have indicated to Mr. Sawyers that they would. Mr. Sawyers stated that they will under certain terms. They want some assistance with LMI taps, trying to get the tap fees free. He has checked with Sandy Runyon with BSADD and she is looking into it to see if there is anything available at all. He doesn't know what direction he will take it in if we can't help with LMI taps. Commissioner Hurley inquired if UMG manages Buchanan County. Mr. Potter stated that they are not one of our clients, no. Mr. Sawyers inquired if they are agreeable does the Board want to proceed with relinquishing that area to them. Commissioner Hurley inquired how much of an area is it and how many customers. Mr. Sawyers stated that it is 50 to 55 customers overall. Mr. Potter stated that if you just look at the sector that drops into Virginia, it is about 10 or 11 customers and we are pretty far away at this point with water service and there would have to be some upgrades and that kind of thing to service them. Commissioner Hurley inquired if they have water now. Mr. Potter stated that they do not have water now and Buchanan County is getting ready to construct a section of line that comes up their way. Commissioner Blackburn stated that he believes we should do what we can to assist them in getting the water there. Mr. Potter stated that in the past the Board has in certain areas like Lower Johns Creek. The Board was 11 miles away from supply people in the Big Branch area water. The Board relinquished part of that

service area to Martin County because they were closer with water there. This is kind of one of those situations but is at the Board's discretion. There is actually another area that may come up with Dickenson County PSD which is up in the Breaks where you go past the Laurel shop where the big new bridge was built. Buchanan County PSA has water there and there is another little road that loops back in; Schoolhouse Branch and some of them, that loops back into Kentucky. Their water is close but nobody has really come out wanting water from that area yet. He envisions though, at some point they will say that and the Board will never be able to serve that location. Commissioner Hurley stated that if it makes economical sense for us to give it away...Mr. Sawyers stated that at this time before you proceed to do anything, you would have to come up with funding to run the lines up there and don't even know if there is interested parties as far as that goes. Commissioner Hurley stated that you have to know if it would even be beneficial for the District to serve that area even if you had the money to take it up there. Mr. Potter stated that is correct and you have to look at the infrastructure you are putting in the ground versus the debt service. Commissioner Blackburn stated that once you start putting infrastructure in over there, he thinks it is something that could be expanded downstream. Mr. Potter and Mr. Sawyers disagreed and stated that in the areas where this is, they would dead end and there would be no further expansion in the area. Mr. Sawyers stated that you would have to set up a master meter at each hollow and purchase from them if you wanted to retain the area and have it served sooner. Mr. Potter stated that the District pretty much has everywhere that there are actually customers there except for in the Woodman area. They may be coming that way some day but it is 7 miles of line to 17 customers on Woodman. It would have to be high pressure line and it is very costly. It is just one of those expensive areas to serve and not many customers to pay the debt on it. Mr. Sawyers stated that we have other areas where people are actually inquiring about the getting the service like Lower Johns Creek and you would have to put those areas in priority first because you have requests. Commissioner Blackburn requested that Mr. Potter show them on the map where the District's service ends right now in that area. Mr. Potter showed them that the water ends right past Hurricane in that area and pointed out the spot. Commissioner Blackburn clarified that the areas they are willing to take into their system basically fills that in. Mr. Potter stated confirmed that as correct and stated that the District goes up to the foot of Chisholm Mountain. There is nobody else that way. If you wanted to get these people water you would have to go up and over that mine road and it is solid rock and when he looked at it years ago, it was an astronomical number. It is about like finishing Lower Johns Creek. If you wanted to go up there and do all of that, it was like 11 miles of line and would have been about \$9 M to pick up 70 customers. Mr. Sawyers stated that they are just sort of isolated. Commissioner Blackburn inquired what it was that Buchanan County wanted from us in return. Mr. Potter stated that they were inquiring if the state of Kentucky had any Low & Moderate Income Assistance funds to encourage people in that area to get on taps. They are saying that they would entertain the idea of taking everyone over there if we could provide a program to help them get customers on the service. Mr. Sawyers stated that they are afraid that if they continue on the neighbors are going to get their LMI taps for free on the Virginia side and those on the Kentucky side would have to pay \$950. Mr. Spears stated that he wondered if they could apply through Virginia because he didn't think Kentucky has any money left for that. Mr. Sawyers stated that he has BSADD checking on it. Chairman Casey inquired from Mr. Potter and Mr. Sawyers if they recommended this course of action. Mr. Potter stated that at this point to get water to Pike County citizens, it would be a good thing for the Board to relinquish that area if they can provide service faster than the District can. Mr. Sawyers stated that they needed to keep in mind that they may not even want to take it if we cannot provide any assistance for tap funds from LMIs. Chairman Casey requested a motion that the Mountain Water District relinquish that territory to Buchanan County PSA. Mr. Potter stated that a decision does not have to be made today. Mr. Sawyers stated that we can wait and see where it goes and look at it again next month. They agreed to wait until the August meeting.

3. KRWA Annual Conference – August 24-26, 2015

Mr. Sawyers stated that the Board meeting is on August 26th during the KRWA Annual Conference. Depending upon whether the attending Board members are staying the whole three

days or not, the date for the August Board meeting may need to be changed. Chairman Casey inquired where this conference is located. Mr. Sawyers stated that it is in Lexington this year and is for renewal hours for him and for Commissioner Friend. The three new Board members will have their training in December at the Public Service Commission. Mr. Potter stated that he will be there all three days and if they didn't mind him or Mr. Sawyers not attending the meeting...Chairman Casey stated that he believes they could have the Board on the regular date because once they get their required hours, they leave. It was decided to have the regular meeting on the regularly scheduled date of August 26th, 2015.

4. **Williamson Wastewater Contract Update**

Mr. Stratton stated that we now believe that the billing issues have been corrected as far as the overbilling on our bills. Mr. Sawyers stated that the City of Williamson is still not completely agreeable with our methods for doing disconnects and that has not yet been settled. We are getting ready to send letters out to some of the residents in the Williamson area that have been failing to pay their bills and go after that money. Mr. Stratton stated that in South Williamson, Williamson provides the water service and we have the sewer. We can't cut off the water for delinquent sewer bills and based on the West Virginia PSC says we have to do and what Mingo County would have to do, it would be an absolute nightmare. We have concluded that it would be better to go dig up a line in somebody's yard and send a message to try to get everyone else to pay what they owe which is currently over \$50,000 in delinquent bills in that one area. Mr. Sawyers stated that we will let Mr. Stratton send the letters from legal counsel to those residents and start pursuing collections on those who owe the most first. They will have the option to immediately come in and pay it or to set up a payment plan. Commissioner Blackburn inquired what is different about what West Virginia requires to be done for disconnects. Mr. Stratton stated that if he remembers correctly, you have to give them so many days notice; you have to serve them with papers so many days before and it is really easy to skip being served; and then if there is any objection by anybody on the Board they can come back and say they aren't going to do it. It is a very potentially political situation where someone can be alerted and never get through the process. They wanted to approve who we disconnected. So we just concluded that it would probably be cheaper in the long run to just go and dig up a couple of lines and hopefully get their attention. Mr. Sawyers stated that we are going to give them 30 days to pay or come in and make payment arrangements. It is in the tariff that if we have dig under the pavement to disconnect someone, the resident is responsible for the cost of repairs for sidewalks or pavement. Mr. Potter stated that this is a gravity system and most of the lines run down the road. People will run you off their property so digging up their yard is not an option. So we can just dig up the street and cut the line and plug it. Mr. Sawyers stated that we will have to notify the health department also.

5. **Water Loss Information**

Mr. Potter stated that currently the water loss is at 28%. The Public Service Commission recommends 15% or less. In 2013 regarding surrounding areas...he knows some of the new Board members are concerned about the water loss. He wants to mention that water loss, under the original contract, basically no entities wanted to look at doing your water loss or paying for the water loss as a part of the contract because the District has historically had in excess of 15%. UMG agreed to accept water loss. At this point in time, any water loss, even though it may regulatory, is not incurring any cost whatsoever to the Board. It is actually being paid for by UMG; Chemicals, labor, production...the whole nine yards. Mountain Water had one of the first water loss control programs in the state. He employs a three (3) man crew continually with two (2) fill in crew members to address water loss, as it comes out of his pocket. There are 27 sub meters throughout the system which are read each day and used to track based off of consumption. He distributed some historical data from 2004 forward regarding water loss. Prior to 1997 and 1994 before he was here, there was a Management Audit performed on Mountain Water District at that time, and water loss may have been around 70%. The trouble with it is that you have a system comprised of four (4) other systems that range in age from...from the PSC hearing, if any of the

Board members saw that, you had no control over the installation. If you look at the others there is none that have less than 15% and those that very low percentages have less than 50 miles of line and 400 customers. You have 1,000 miles of line; SDR-17 sub standard pipe that is not even used now; improper installation; you have issues like Big Creek that we spoke of before. His crew stays and works all hours of the day and he monitors the system 24 hours a day chasing leaks. We can't get below the 15% because he is always doing reactionary leak detection because of infrastructure improvements that are needed. The Division of Water recommended in the District's 2013 sanitary survey that the Board start putting money back into the system. It says "reduce your water loss to 15% as recommended. Since the Water District is managed by an outside utility management company, contractual obligations may require the District to provide adequate reinvestment for distribution infrastructure to reduce your water loss." Mr. Potter continued by stating that he has been saying this since 2009. They actually tell you here that you are only putting 5% of your revenue back into your system. You do not reinvest at the recommended rate. If the Board would like to participate in greater water loss reduction, he encourages them to spend on more on infrastructure. Commissioner Blackburn stated that he doesn't know how you can even know what the cost is unless you know where the leaks are. If you are saying the problem is old infrastructure, where do we start? Mr. Potter stated that you start with the information he has provided and that has been provided for years. Here is the continual list of leak areas. The Board gets this every month and he correlates it to locations where continual leaks are. It is in his Operational Meeting each month; recommend replacing this mile of line because we have had 15 splits. There are sections of line at like Beefhide, Burning Fork, Taylor Fork, etc. with continual leaks and breaks. It is on the recommended replacement that he started giving the Board in 2009 when he assumed this position. Before then he was leak detection specialist for UMG and before that he was a leak detection specialist for the Board. At Dorton there is a section of line up on the mountain that splits randomly. Commissioner Blackburn inquired how long that section of line was. Mr. Potter stated that it is 4,000 feet of line. We have continual leaks that are documented by our work order program. That is how he generates the areas that need attention. Commissioner Hurley inquired why UMG doesn't put a line in there that can handle the pressure. Mr. Potter stated that the District needs to do that. Commissioner Hurley stated that UMG doesn't have any problem fixing it...Mr. Potter stated that he is doing reactionary leak detection and has not been able to replace infrastructure. He welcomes the reduction in water loss. Mr. Spears stated that part of the rate increase, and the Board decided when they did it, to set money aside monthly like a sinking fund, so we will have money to utilize for those projects. Mr. Potter stated that it is also on there recommended for PRV valves. The system was set up to maximize growth. You have piping in place over the years...what they do is that they go up a mountain and build a tank and the water comes off the mountain. The Board at that time decided that pressure is getting high and we won't run SDR-17 or ductile iron. We want to put more lines in so we'll put a PRV pit and reduce it down. They are failing and some are falling apart. He has asked for replacements. If they surge or there is an issue with them, he puts excess amounts of pressure on the line down the road and you get splits. Phelps is another issue where this happens. It is all in the plan that the Board has been given each month. Commissioner Hurley stated that he noticed that there was 1,600,000 and 1,400,000 flushing on the water loss spreadsheet. He inquired if that was because the repaired and we flushed the whole line. Mr. Potter stated that it is not necessarily because of that. The Board doesn't realize how much flushing has to be done across the system to try to stay in compliance with trihalomethanes and haloacetic acids, level 2 Disinfection Byproducts. My guys go out and turn hydrants on and leave them because they are created by time, temperature, etc. Commissioner Hurley stated that he understands that but inquired why you would call that water loss. Mr. Potter stated that there are two types of water loss; accounted for water loss and unaccounted for water loss. Mr. Potter stated that he would really like to have a work session where he could actually go through the system and explain what we do. Mountain Water District had one of the first Ultrasonic flow meters in the state. We helped train some of the personnel at Kentucky Rural Water on its use. He has been to Tennessee under UMG and given demonstrations on leak detection. Commissioner Hurley stated that he is showing 30% water loss for Mountain Water District, so this flushing is not involved in that. Mr. Potter confirmed that as correct. The thing is that you cannot get below the 30% on this chart because the 17% we have gotten down to before, we cannot hold it because he can't go after those 500 quarter gallon per minute leaks on 1,000 miles of line, but he can't go after those because he is still looking for those that are reactionary causing

operational issues in the system. He can't tighten the system up enough so that he can go after the small ones. Commissioner Blackburn stated to take this to gallons, this 30% equates to how many gallons. Mrs. Olson stated that in the Monthly Operating Report there is a section that says Waterless Summary, for example for June, your total unaccounted for gallons was 40,965,000 gallons. Mr. Potter stated that we used to give a whole lot more information to the board but the packets would be hugely thick. That doesn't do you any good because it is more than you can look at and digest. The Board at one time said to pair these down and this is what you get now. He can turn it any which way they want; you have summary agendas on the complaints, cost of produced water, etc. Actually the Division of Water jumps on him. Once you reach 80% capacity at the plant you are supposed to have an immediate plant upgrade and tap on ban. He has gotten permission to ramp up the plant to 90% because we have the ability to purchase water from other locations so we are not short of water. He maximizes production at the plant to try to make it cheaper and use your water versus purchased water. He welcomes any financial help that the Board will put into the system to improve the system to correct water loss. Commissioner Blackburn stated that he thinks what we need to do is to put a committee together to study this and to see what we can do. He stated that he is not saying that it is not the lines, but he thinks that if we can identify which lines need to be replaced...Mr. Potter stated that it is there in the paperwork he has been giving the Board. He can generate the leaks and the time frames and when they occur which is in the data. Commissioner Blackburn stated that he knows that, but they are getting the data and are not reacting to it. Mr. Potter confirmed that as correct. Commissioner Hurley stated that he would like to see this broken down by area, like the Phelps area and other areas. Mr. Potter stated that it is broken out by the four zones we have. Commissioner Blackburn stated that you can break it out over four zones but those zones are huge. We need to take something like this and go to the maps and look at where these master meters are....how long is this line at Chloe Creek that has this 302,000 gallons water loss on it. Mr. Potter stated that he would have to pull the work order on it. We do a repair versus replacement report that is generated to the Board, but in the past when he has come and said "this needs to be addressed" he is told that "currently we do not have the funding". Commissioner Blackburn stated that we first have to identify what we are going to fund. Mr. Potter stated that he would be more than happy to help them with that. Commissioner Blackburn made a recommendation that the Board form a committee and the Chairman can appoint the members, in order to study this and if we need some additional help to identify it we will get it, but he thinks that the folks that know where the problems are here. It may be something that we need to meet outside of the regular meeting and have a committee meeting and look at the maps and the master meters and start identifying where we think the problems are. He would like to see this report in detail and in dollars instead of dollars. He thinks you can better appreciate what we are trying to do if you see it in dollars. Mr. Potter stated that he will appreciate it. Chairman Casey stated that with Commissioner Blackburn's recommendation, he will appoint Commissioner Blackburn, Commissioner Hurley, Mr. Sawyers with Mr. Potter's assistance, to the committee. Commissioner Blackburn stated that we have the information we just need to assemble it in a little different format, to the maps and look at where these master meters are. You have total end user meters and perhaps we can isolate those into areas. Mr. Potter stated that he welcomes it. It is the Board's infrastructure and if they want to put money into reduction of water loss, he welcomes it. Commissioner Blackburn stated that he believes that it is incumbent upon them to look at this because they need to know what it costs us per year at the 30% rate. Mr. Spears that as Mr. Potter has stated UMG is paying for the water loss but the dollar amount varies because you have produced water that is about \$.78 per 1,000 gallons and then you have contracts with the City of Pikeville and the City of Williamson that have difference rates. In the PSC hearing these things were brought up and the factors were if it were all produced, and don't quote him, but he thinks it was around \$170,000 to bring it back to the 15% number if we produced all of the water that was lost. If we purchased all of it from the City of Pikeville it was about \$300,000. It is probably a hybrid. Mr. Potter may know if it was purchased water or produced water based on the area it is in. Mr. Potter stated that we do it by purchase meters and it is broken down to that degree but he purchases and/or produce for the District roughly 4.2 to 4.6 million gallons per day and the District produces about 2.5 to 2.7 of that at the plant, so we make a little bit more than 50% of the water that is used in the system so it is probably somewhere split out there. Commissioner Blackburn stated that if it averages out to \$1.00 per thousand that would be about 60/40; 60% of produced water is lost and 40% of what is purchased. Mr. Spears stated that the

overall 30% would be about \$520,000 at the, and to get in compliance would be half that. Mr. Potter stated that as you can see from the localities near us or down state, nobody really gets below the 15%. There is some inherent loss with any system. He broke those out which are actual numbers submitted to PSC by the year end report for each system. Mr. Spears stated that he will say that the 15% is across the board, across the state, different geographic terrain, etc. Commissioner Blackburn stated that he got that out of reading the report that 15% is the accepted standard but if we can't take this system we've got to 15% and can't afford to do that, maybe we can get it to 25% or 20%. If you are able to reduce your water loss by over 10% look at that savings over a 5 year period. Then maybe you can replace a line. Mr. Spears stated that he thinks what he is saying is that he wants to see them by area and is it cost efficient and it is a good exercise in that. Even though you didn't, we've addressed and made a decision. It's like anything else, if you never address that then it is your fault. If you have addressed it and made an informed decision...it would be a good exercise. Mr. Stratton stated that in our PSC application for a rate increase, they asked us to represent to them that we would go to 20% over a year period. Chairman Casey stated that it would be a large savings if we could get right at that number so it is the committee's responsibility to get on it and come up with solutions.

Mr. Potter called the Board's attention to the rest of the monthly operating report showing monthly bacteriological testing, payments, etc.

Chairman Casey requested a motion to approve the Manager/Administrator Report as presented. Commissioner Blackburn made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-07-011

NEW BUSINESS

1. By-Laws for the Mountain Water District

Mr. Stratton stated that at the last meeting we looked at presenting new by-laws for the Board's review and consideration and a draft was given to the Board. What he has done is that the original by-laws were done in 1986 or 1987 and he consulted with Jack Hughes who works a lot with water districts and they have simplified everything to bare basics. It establishes the authority of the Board, how appoints are made through the fiscal court. It says anybody can make a motion and vote. It gives you the offices which is what we have now and spells out those duties on page 2. The term of the officers would be each year and then the Board would have the opportunity if you so choose to reelect every year. It provides for monthly meetings, special meetings and a quorum is a majority of the Board. Committees would be at the full discretion of the Board and have all of the flexibility. What we have tried to do is to make this a bare bones and as flexible as we can make it so that there is not any real restrictions on the Board and corrects a lot of things that were in the prior existing one that we don't even do any more. Chairman Casey requested a motion to approve the by-laws as drafted by legal counsel and reviewed by the Board of Commissioners. Commissioner Blackburn made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-07-012

COMMISSIONER COMMENTS

Mr. Stratton stated that in that Commissioner Prentis Adkins was not reappointed to the Board, it has been the Board's practice to pass a resolution in appreciation of his service as an outgoing Board member. This is a resolution that says, "That the Board of Mountain Water District hereby recognizes and acknowledges the outstanding service of Prentis Adkins as Commissioner of the Mountain Water District. The Board expresses its deep appreciation and sincere thanks for his time, effort and contributions to the District during his tenure as Commissioner." Chairman Casey requested a motion to approve the resolution as presented. Commissioner Hurley made the motion. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-07-013

ADJOURN MEETING

Chairman Casey requested a motion to adjourn the meeting. Commissioner Friend made the motion. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Adkins	Absent
Commissioner Blackburn	Aye
Commissioner Hurley	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-07-014

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

August 26th, 2015
10:00 AM

ATTENDEES

Chase Ellis, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Stephen Caudill, Bell Engineering
Tim Campoy, EDC, Inc.
Dan Stratton, Stratton Law Firm
Mike Spears, Spears Management
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, August 26th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Commissioner Ancie Casey
Commissioner Kelsey Friend, III
Commissioner Mike Blackburn
Commissioner Eddie Hurley
Commissioner Johnny Tackett

VISITORS AGENDA ITEM II

Chairman Casey inquired if there were any visitors who wished to speak. There were none.

APPROVAL OF MINUTES AGENDA ITEM III

Chairman Casey requested a motion to approve the minutes of the regular meeting held on July 29th, 2015 as presented. Commissioner Blackburn made the motion to approve the minutes as presented. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-08-001

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears gave the financial status report. Mr. Spears stated that for the month of July, cash in bank was \$336,992. Accounts receivable was \$1,023,327. That is up but the auditor will be here next week and should have the full audit report at the next meeting. It depends on how many days the end of the year lasts and what days meter reads are. You always have an addition because your bills come in January for December billing so that number is a little higher than it was the year before based on cut off dates so that is a little inflated \$30,000 or \$40,000. Plant in place was \$139,300,365. Accounts payable at the end of the month was \$1,834,432. Equity position is \$78,694,362. Revenues for the month were \$721,818 and for the year is \$5,131,541. Utility Operating Expenses were \$937,729 and \$6,625,241 year to date. The loss for the month was \$247,566 and \$1,715,507 year to date. Included in the loss is depreciation of \$271,779 and \$1,902,455 year to date. Operating income for the month was negative in the amount of \$215,911. Cash flow decreased by \$25,420. The current operating account balance is \$180,639 as of the end of July. We will be transferring the \$11,340 to the KIA reserve account and the \$9,902 to the RD reserve account. Current balances in those are \$754,029 and \$770,022. We are continuing to be transferring the \$55,000 to the sinking fund for our bond payments as well. Until we get a rate increase that is about where we are going to be.

Chairman Casey requested a motion to approve the financial report as presented. Commissioner Hurley made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution 15-08-002

Mr. Spears stated that he has distributed a three page packet on the Big Creek line extension scenario. This is for line that is washed out in the creek at Big Creek. Mr. Grondall stated that there are actually three locations on Big Creek down 292 toward Williamson. Most of it is in the bottom and meanders with the creek and is not on right of way side of the road. Everybody knows how Big Creek is cut and washed and it actually took out three sections in this last flood. We have put them back over the course of the years and tied it together but is actually to the point where we need to relocate it away from the creek, get it up on right of way because it is a continual problem area. It is roughly 2,900 feet and is going to affect fourteen service line relocations that have to be done. Right now we have it valved off in two locations and we have service run from both ends to the homes in the area and we have to do something about it before winter. They are on top of the ground and temporary. The numbers he used for the cost estimate were from a couple of the District's engineers and what some of the last project costs were on the piping and ductile iron. There is a state requirement to do the road bores, two highway bores, tie it in and disinfect it. A contractor would have to do it because it is definitely over the District's \$20,000 procurement number. He put a little bit of contingency in there just in case we needed an easement or something like that to get to a better bore location. If the Board has any questions or would like to see the area, view that map or speak to him after the meeting he is available. Mr. Spears stated that what he has done, is that you have a 15 year amortization because he wanted to see what the cost would be. We can get it right at 5% from Community Trust. Discussion ensued. Mr. Potter stated that all the way back around toward Williamson, MWD actually done a section of that line from 292 bridge back up towards that car lot about 12 years ago but there are many sections that need replaced. We are on the creek side right of way and will have to drop back over and tie back next to Big Creek near the toe of the slope. We are on the creek side and will have to bore across to the ditch line and go back down and jump back across and get in the bottom and tie in. He has the map upstairs laid out if anyone wants to look at it after the meeting. Chairman Casey inquired from Mr. Spears if he had a recommendation to the Board. Mr. Spears stated that he has given them two scenarios with three payments. You can do 15 years at \$1,333 per month at 5%. Another option is 10 years at \$1,788 per month. If you do 10 or 15 years you have to go through PSC and get approval. He doesn't expect there would be a problem but it might be something they need to get someone started on. Chairman Casey stated that the interest between the two caught his attention. It is \$26,000 more between one and the other. Mr. Spears stated that we could go 5 years

and don't have to go before the PSC because you can do 2 year balloon note up to three times, which the problem is that hits at about \$3,200 per month and is pretty significant. Going through the rate study, it would behoove us to go ahead and get PSC approval and he doesn't think we would have a problem with this. Commissioner Tackett inquired how long it would take to get PSC approval. Mr. Spears stated that we don't really know. They would have to ask Jack Hughes, our PSC attorney. Chairman Casey stated that we getting into Fall now and cold weather coming. Mr. Sawyers inquired if we could consider this an emergency. Mr. Spears stated that you might be able to have it considered emergency work but we would have to have Jack Hughes check on that. Mr. Potter stated that this is a location where he can actually blend or move water. Right now we are hydraulically limited. If there is another wash out or break in that area, he usually can bring Pikeville water back toward Williamson, or if something happens on the Pikeville side he can bring Williamson water back that way, but right now his hands are tied. If there is another flood or wash and we lose a sector, we are out and he can't keep people in water. Mr. Spears stated that it would have to go before the PSC at their meeting and he didn't know when that would be. Mr. Stratton, District Legal Counsel, stated that he would call Jack Hughes and get back with him on that. Chairman Casey stated that with regard to the payments, one of them is \$1,333 versus 1,788 which is \$400 more, but the amount of interest we would pay on one is \$71,000 and on the other is \$45,000 and that is very significant. Mr. Spears stated that he would recommend 10 years. Chairman Casey inquired if everyone had a chance to look at the scenarios and which one Mr. Spears is recommending. Mr. Spears stated that he would recommend the 10 year financing and we might get the interest a little bit cheaper than that but historically that is about where we are at. Chairman Casey requested a motion to approve the debt for the Big Creek Water Line Relocation subject to PSC approval if required and if it doesn't qualify as an emergency repair, subject to procurement by bid as well as authorization to bid if approved. Commissioner Hurley made the motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-08-003

Mr. Campoy stated that there is the issue with the encroachment permit as well. Mr. Potter stated that he is correct. We do have to have a highway encroachment permit. Commissioner Blackburn stated that they should probably go ahead and move on that since they are going to do it one way or another before cold weather. Mr. Potter stated that we have to get an engineer to spec that out for you if the Board wants to go ahead and make a selection. Commissioner Hurley clarified that you don't have to engineer the pipe, just the right of way. Mr. Potter confirmed that as correct. Mr. Campoy stated that it the difference in...nothing actually has to go to the Division of Water on this but you do have to have drawings to be submitted to the local DOT office. Chairman Casey stated that he appreciated Mr. Campoy bringing that up. Mr. Potter stated that the Board had some engineers here today if the Board wants to approve one to do this. Chairman Casey stated that we have to hire an engineer to do it and since Mr. Campoy brought it up, he made the recommendation to let him do the work if he is willing. Commissioner Blackburn made the motion to authorize Tim Campoy, EDC, Inc. to proceed with the work needed for submission of the encroachment application to the DOT. Commissioner Hurley seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-08-004

PAYMENT OF BILLS

AGENDA ITEM V

Mrs. Olson distributed handouts for the payment of the bills to the Board members. Mr. Potter stated that he will let them know that one of the things that they will notice about the bills is that the bulk of everything we get is AEP. There is a lot of electrical usage. They just got back from the KRWA Annual Conference and one of the big things they were talking about is getting hold of your collective bill off peak demand and frequency drives. We are a little bit ahead of the curve on that. We have been doing that for years. They were talking about 18% and 15% that it has already went up here but the rest of the state is still running about 4% out in western Kentucky but are now starting to get some hits through the next regulation so they are really getting on the wagon for energy savings. Mr. Potter stated that he will talk about more regulatory things coming down the pike a little later in the Manager's Report. After several minutes of review, Chairman Casey requested a motion to approve the payment of the bills. Commissioner Hurley made the motion to approve the bills as presented upon availability of funds. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-08-005

CUSTOMER ADJUSTMENTS

AGENDA ITEM VI

Chairman Casey requested a motion to approve Customer Adjustments in the amount of four thousand, eight hundred and two dollars and seventy-six cents (\$4,802.76) as presented. Commissioner Hurley made the motion to approve the customer adjustments as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-08-006

CONSTRUCTION REPORT

AGENDA ITEM VII

Update by Dan'l Hall, Vaughn & Melton

Neither Cliff Latta nor Dan'l Hall was in attendance to give an update to the Board on these projects.

1. Millard Curve Line Relocation –DOT Project

No one in attendance to give update.

2. Majestic Alternative Sewer Project

No one in attendance to give an update.

Update by Tim Campoy, Environmental Design Consultants

1. Cabin Knoll/Scott Fork DOT Relocation Project -

Mr. Campoy stated that the bridge construction is underway and the waterline relocation is basically done and in service. There were two small items to be finished: the bank stabilization adjacent to the booster pump station is partially done. The rip rap is in place but hasn't been grouted. Also at the PRV station, the bollards are in but not installed. They are waiting until the abutment and the wing wall are concreted and then they will install them and grout the rip rap. Chairman Casey stated that he needs for Mr. Campoy to ensure that they contractor leaves their equipment close to where they are working at because he has a bus that comes all the way down the backside and backs into that yard to the right of the construction. Then he goes all the way back around and comes gets the ones across the bridge. The other day there was a crane setting in the middle of the road above their construction area and the bus couldn't turn there. Mr. Campoy stated that they were not working with Bush & Burchett. Vaughn & Melton has an inspector on that job but he will make contact with them and let them know to position that crane so that the bus can turn there. Mr. Sawyers suggested that he send an email to Paxton (Weddington) and he would probably help him with that.

2. KY 610 – Virgie Bridge DOT Relocation Project –

Mr. Campoy stated that the Division of Water has approved both the water and sewer relocations. Things are being held up due to right of way acquisition and it isn't going as good as they had hoped. They are in a holding pattern until that is done and they haven't been able to give an estimate on when they would have it. He thinks, based upon their experience with Cabin Knoll, the Board would like to run this job separately, outside the contract of the bridge construction. He inquired if that was correct. Mr. Sawyers stated that was correct and the District no longer wants to add this to the contract but done separately. Mr. Campoy stated that he is suggesting that since we are getting near winter, we might want to talk to the highway department about that and pushing that through and forward in advance of the bridge work done. They may already have the right of way for the line part. He would like to go ahead and push forward with that. Mr. Sawyers stated that was fine.

Update by Stephen Caudill, Bell Engineering

1. Deskins Curve Line Relocation

Mr. Caudill stated that pre-construction meetings were held for both the tank and the line contracts on the 29th of July. The Notice to Proceed was issued on both projects at that time. The tank contractor is now working and the line contractor is set to start in the next week or so when the materials arrive. Chairman Casey inquired when he anticipates the actual road project to start. Mr. Caudill stated that the road project won't begin until sometime next year.

2. Marshall's Branch DOT Relocation Project -

Mr. Caudill stated that the plans and specifications are complete. This is another project that the highway department was intending to relocate the line inside the roadway contract and planning

on doing it in 2016. In light of this, he will have the same conversation with the highway department and see if it can get moved outside of the project.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. **Awarded Projects:**

- Douglas WWTP Upgrade Project – Mr. Hunt stated that they have met with Ovivo along with Mr. Potter and Mr. Sawyers. They outlined some things they wanted to see in the equipment package and they went back and are in the process of creating the drawings that we required to go in the design package. The engineer anticipates receiving those in the next week or so. They also conducted a meeting this week with an electrical engineer on the electrical design. There are some tricky things we have to work out with him and have discussed what we expect to see there and he thinks they can do what the District desires there with the controls and things of that nature.
- Phelps/Freeburn WWTP Upgrades & Rehabilitation Project – Mr. Hunt stated that the project is complete. The final draws were done last month. Mr. Sawyers inquired if the District has received a substantial completion report on this project. Mr. Hunt responded “yes”. Mr. Sawyers stated that once he confirms they have that letter he will proceed to type up a letter for the Division of Water in regards to letting them know that the project is complete and we are back in compliance. Mr. Hunt stated that Jonathan Newman delivered that to Mrs. Hatfield.
- Belfry/Pond Sewer Project Update – Mr. Hunt stated that in conjunction with the Douglas Project they are also doing the Belfry Project. Ovivo is also the contractor there.
- FEMA BPS Mitigation Project – Mr. Hunt stated that the pre-construction meeting was held on the project and have told the contractor that we wanted him to begin on September 1st. He has ordered his materials and is getting everything ready to begin. We spoke to the pump station supplier regarding the need to speed up the shop drawings so we can review those and turn the project around fairly quickly. The contractor is scheduled to begin September 1st if not sooner.
- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that the power drops on the pump stations have been made and the contractor is 98% complete. All that needs to be done at this point is some final clean up and start up of the pump stations. While we were in Lexington in the last couple of days, the pump supplier was coordinating with MWD about scheduling those start ups, and it is anticipated that they will be held next week. At that time the engineer will issue the notice of substantial completion, final adjusting change order and release of liens. Mr. Sawyers stated he and Mrs. Olson would get together and discuss the release of those completed extensions this afternoon.

- Pompey Water Line Extension – Mr. Hunt stated that they are 50% complete with the redesign of this project on the plans that need to be done for submission to the Division of Water. They are also working with Elwood Howe on some things that RD is requiring due to the ARC funding we are receiving. Mr. Sawyers stated that he has made a few phone calls and they put our ARC project on the top of the stack so maybe we can get it through quicker.

PROJECT DRAWS:

Chairman Casey requested a motion to pay the draws as presented contingent upon funding agency approval. Commissioner Hurley made the motion. Commissioner Friend seconded the motion.

POMPEY AML PROJECT

Summit Engineering	AML Funds	\$ 21,754.60
\$21,754.60	Engineering Services	
CRA	AML Funds	\$ 3,980.00
\$3,980.300	Survey	

VARIOUS WATER LINE EXTENSIONS, MAGISTERIAL DISTRICT #2

Summit Engineering	Coal Severance Funds	\$ 1,712.68
\$1,712.68	Engineering Services	
US Rentals & Construction	Coal Severance Funds	\$ 61,680.42
\$61,680.42	Contract Construction	

Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-08-007

MANAGER / ADMINISTRATOR REPORT

1. **FEMA Declarations – 2015** – Mr. Potter stated that Mrs. Olson has done the contract for signature today for the February one. Mrs. Olson stated that it is not clear whether we sign under the first party or second and Mr. Stratton stated that we need to call them and get that approved to sign today, but clarify that before signature. Chairman Casey requested a motion to approve all three contracts with FEMA for the disaster declarations, DR4216, DR4217 and DR4218. Commissioner Friend made the motion. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-08-008

2. **Williamson Wastewater Contract Update** – Mr. Sawyers clarified with Mr. Stratton that we can remove this item from the list. Mr. Stratton stated that he thinks we can.

3. **Water Loss Information** - Mr. Potter continued by stating that he has prepared some water loss information for distribution. This is some of the basic ones that are static and are not variable locations where we hydraulically change the flow. These are the ones where we maintain criteria on the same page every day. This helps us determine the locations where we want to put sub metering in, that way we can find other break points. The master meters, like Brushy, comes out to 38% and what we have not included in it is that miles of line. But that one comes out to an average of 10 gallons per minute but that is over about 22 miles of line. Some of these don't even break the threshold of what the meters can pick up. Like Modern MHP comes out to .47 gallons per minute and that is on the threshold of not being able to find it and being spread over 3 or 4 leaks. Marrowbone is one of the bigger areas and historically has been a problem area. Chairman Casey inquired if that is the oldest infrastructure we have. Mr. Potter stated that it is one of the oldest and when you get over into Williamson there are some old locations, and on Sookey's #2 in the Shelby Valley area. You see the 145 there but that is over probably 40 miles. This is going to tell us the locations to sub meter and break it on out. What is interesting is on the 2014 chart, at the blue line for each one of those, it hovers in almost the same place the whole time. That is the historical loss that is here that they never get the chance to go after because they are constantly doing reactionary repairs to the leaks that are occurring on the lines as they come. Those are inherent in the system. By sub metering these locations we can start trying to narrow those down but he would like to set down with the committee, he was out of town during the last meeting, but he would like to meet with them and look at the charts...and we can do it in pies, bar graphs, break it out into spreadsheets, but let's get into a format that makes the most sense. If the committee wants to see this or if you want to cover it in the operational meeting, or just a base summary for the Board meeting, he just doesn't want to everybody with so much information that you get lost in it. He just wants to refine it but this is where we are going with it and it is a work in progress and we have the maps out. If you will notice on the Marrowbone area in the packet, ¾" line leaks by area, that is the big picture. You are talking about Marrowbone, older parts of Shelby Valley, older parts of Pond Creek such as the Blackberry area. That is some of the older ones and they used to use class 160 PE thin wall pipe that has reached its life. One of the greatest things, he thinks, for leak detection is sub metering some further locations to try to break out...that is why we are doing this to break out the static ones to look at but...he thinks the more immediate realization of getting the number down is to start a service line replacement program for the older service lines because if you look at the ¾" line leaks by area you can see where the service leaks are. He would like to set down that committee and pick a location, if the Board wants to commit and say "We are going to replace a hundred lines here"....Commissioner Hurley stated that he needs him and Mr. Sawyers to recommend to the Board...Mr. Potter stated that is fine but he wants the Board to be included in it. We need to do a test run on it and isolate a sector that we can actually sub meter and see what kind of immediate results we get. That way you will know if that is your best strategy; to pick one location, pick a known number of lines that historically has been an issue, and do a test case on it and see if it IS the best bang for the buck. If that looks like where we need to go, then we will just start the program in that area. Commissioner Hurley stated that he thinks that is what we need to do. To just pinpoint a place and start and if you can just start dropping....and his main concern is seeing a 1% drop and then another. Mr. Potter stated that he understands but that they are doing reactionary chasing of

leaks and these are the historical ones and he the Board needs to work on some of the infrastructure.

Mr. Potter distributed handouts regarding infrastructure improvements needed and stated that this is something that he has handed out to the Board several times before and they go over it each month in the Operations Meeting. It is not just the District that needs so much infrastructure improvements. Chairman Casey and Commissioner Friend were both at the KRWA Conference and the main thing is aging infrastructure, no money for replacement, line issues and the whole nine yards. These are rough numbers and you can see the year installed on these locations, but if you will look at the booster pumps that are having issues, that is not a big line loss area. Some of our storage tanks we need to work on. The PRV valves...with a main line PRV, if it fails and the line over pressurizes, those locations that are weak become a bunch of little leaks out there that you are chasing for months. There are several that need repaired and/or relocated because of the way the system has grown over the years. The 6" main in the Dorton area splits continually and is a big problem. Burning Fork is a problem area also. You do have some main lines that for whatever reason are issues. He has spoken to some engineers to get these numbers from recent contracts. If the Board, Mr. Spears and Mr. Stratton want to look at some financing or however...We have also talked about telemetry upgrades and updates. Our radios are weak and we can't get to look at the tanks on some of the big ones. We need to go through and update the telemetry that way we can track what is happening at the tanks better. The line replacement program for some of the older areas on here would probably be the best bet. Commissioner Hurley stated that they needed to determine what would be the cheapest route to get our 1% or 2% decrease so we can have something to show the PSC. Mr. Potter stated that he would like to pick a test area where we have an isolated small location in the Marrowbone area and run a test case to see how it turns out. Mr. Sawyers stated that in the committee meeting they did go ahead and approve David Taylor to begin testing the area over at Williamson to check that area first. Chairman Casey stated that is one thing we got blistered over with the PSC was so much water leakage. Commissioner Blackburn stated that we committed to reducing it by 5%...Mr. Sawyers stated that basically 1% per year is what we are trying to shoot for. Mr. Potter stated that you committed to do that but after you look at the break out, that is not necessarily the worse place and is a lot more length of line to look at. Commissioner Blackburn stated that with 40 miles on Sookeys 2, he inquired what Marrowbone and Williamson are. Mr. Potter stated that Marrowbone is probably about 26 miles and Williamson is huge. Williamson 1 runs all the way from the mall all the way over into Blackberry, probably about 60 to 70 miles if you count all of the side hollows. That is one location where historically we have not had any breakdowns over in the Blackberry area. We really need to sub meter that out first before we start chasing leaks. We may start on one end and it's actually on the other end. Chairman Casey inquired approximately how many miles of line the District has in the county. Mr. Potter stated that the District has a little over a 1,000 miles of main line and roughly 900,000 to 1,000,000 miles of service line. If we could have a brief meeting again with the committee to talk to you about the best way to go about this...Commissioner Blackburn stated that they will meet again before the next regular meeting. He stated that Mr. Potter can schedule a meeting, and what they did before was met here at 4:00 pm and Mr. Hunt with Summit Engineering came and brought some maps and they looked at and got an understanding of where he got these numbers and how the system is laid out and how the leak detection process is done. Mr. Potter stated that based upon what we are starting to see, he applauds the District for wanting to put the money into infrastructure and he looks forward to doing it, but we may need to reevaluate what to do first. It might be something that changes every month based on what we are seeing. Mr. Potter stated that they will schedule something before the next meeting to discuss it. Commissioner Hurley stated that they had talked about the tanks and pressure switches and stuff and he hasn't forgot about it, but when he got home he was thinking that he used to have a tank set up where that a ball would cut it off when it would rise and would stop the water when the pressure rise and it kicked off and when the ball falls you can get your air coming into it. He was thinking about some of them tanks that are overflowing. If we can find out how much it costs to put a pressure switch on there, and you could find something that kicks off when the pressure is a certain level, and fix it when it kicks on when it has a foot or foot and a half of water in it. He knows the pressures is quite a bit...Mr. Sawyers stated that you also have to keep in mind the peak and off peak hours that we run those pumps on, too. You may not be saving more on the electricity than you would on the water. Commissioner Hurley stated

that he understands that but they aren't jumping on us over the electric bill but on the water loss. Mr. Potter stated that he is looking at those scenarios too and has talked to some of those vendor and asking what the sensitivity is on some of the transducers. The trick to it is when you are talking about an 8' in diameter skid tank, you don't have but a couple of pound differential (.33 lbs per foot)...Commissioner Hurley stated that is why you have to have something to block it off and pressure it up three more pounds but it depends on the sensitivity. Mr. Potter stated that sometimes you don't want to even put two or three more pounds on some of these old lines more than you do because the pumps run on a curve, but that is another issue and he is looking into that also. Commissioner Blackburn stated that he appreciates the work that Mr. Potter has done and the folks that showed up here for the meeting last Wednesday. They are not really doing a reevaluation but forming a plan to locate the leaks and all input is welcome and he thinks the graphs and this information presented on where you have measurable sales and water helps and you can quickly eliminate what you don't need to look at. It is a start.

Mr. Potter stated that at the KRWA Conference there was a lot of information being put out and today was a really good day of classes and he has David Taylor and them going to some of them. We do have the Level 2 Disinfection Byproducts Ruling. There was a mitigation plan on it that will be issued here, and he will talk to the Board about that. They said down there that 43% of all systems in the state will be fined and are getting fined. Some local systems already have been that were out of compliance. This is the Trihalomethanes and Haloacetic Acids that they tightened down the regs. Flushing is one way to reduce them, limiting time in the tanks (but you still have to maintain storage which is a delicate balance). He believes we have trimmed all we can do without putting infrastructure into it and then you are talking about probably adding chemical treatment or aeration units to tanks. In one of the Operations meetings he can over some of the scenarios. He inquired if the Board had made a decision on which Commissioners would like to attend the Operations meetings and Finance meetings or have appointed anybody to those. Commissioner Blackburn stated that he would do that and Chairman Casey inquired if Commissioner Tackett would like to that as well. He agreed. Mr. Potter stated that it begins at 9:30 AM prior to the regular meetings and he will walk them through what's happening and where we are at and make recommendations that come from his perspective operationally with the new EPA regs. They are tightened down again and it is an issue with pretty much everyone. Chairman Casey stated that the KRWA Conference was very informative. You learn a whole lot attending classes that are offered.

Mr. Potter stated that the Board can look over the rest of the MOR with taps, and bacteriological testing. The bacteriological testing is going to be on the Revised Total Coliform Rule and it changes January 1st and we have to submit an official plan to the Division of Water to stay in compliance. We have that about ready to go and it has to be in by October. Ms. Olson stated that Rodney Ripberger with the Division of Water is currently reviewing it prior to submission. Mr. Potter stated that he wants to tweak it one more time to make sure we have all of our field sampling locations right and what we think we'll need. The rest of the report is operational information for their review.

Mr. Sawyers stated that he sent out an email last week with regards to Clean Water funding being available for sewer projects. What he asked and recommended was for us to pursue the additional monies it is going to take to fund sewer line extension to complete Forest Hills and will go to the new Belfry WWTP when complete and more money we can invest in our infrastructure. He needs the Board to approve him to allow him to pursue it. Another item he talked to them about is grinder units. He inquired if it was possible to purchase grinder units through that program and was told "yes". So if the Board is interested in purchasing grinder units, we can also do the funding on that and pursue it that way. This is a low interest loan which, the last one fell in at about .75% and you can't find a loan for that these days. So if the Board is interested in pursuing some of those items he would be glad to continue with KIA and pursue the funding. Also lift station upgrades are eligible as well. Mr. Potter stated that we already have some project profiles in the mix with the state. If you want to do the grinder units, we would have to hurry up

and do a project profile and get some mapping in; which we can do that. This is left over money that KIA got that was not utilized after they let everybody borrow money that asked for it and they put the invitation back out. Chairman Casey stated that we need to be buying new grinders as opposed to what we are doing because it is costing the District an arm and a leg. He clarified that these grinder units have a 5 year warranty. Mr. Sawyers stated that it has a 65 month warranty. Chairman Casey stated that it is a no brainer. Commissioner Hurley agreed. Mr. Sawyers inquired how many they want to purchase. They are about \$1100 each and we have to bid it since it is that amount and because of the funding it is coming from. Chairman Casey stated that you might get them bid for less. Mr. Sawyers stated that it depends on how many you want to purchase. Commissioner Blackburn inquired how many we are replacing on average per month right now. Mr. Sawyers stated that we weren't purchasing many right now expect through projects. Recently the Board has approved to order 15 per month that are new. Commissioner Blackburn inquired how many we are replacing per month. Mr. Sawyers stated that that we are replacing about 40 each month that are repaired. Commissioner Hurley inquired if they are putting the whole 15 new ones in each month. Mr. Potter confirmed that as correct. Mr. Sawyers stated that when we had a power outage over at Shelby Valley, we put in 16 in one week. Commissioner Hurley inquired how many we need to get a month. Mr. Sawyers stated that with the proposed replacement program, you are looking at purchasing 34 per month if you want to replace everything in the next 65 months. Commissioner Hurley inquired if the 15 per month does that. Mr. Sawyers stated that you need to replace 34 per month to get the turnover in the 65 month period. Chairman Casey stated that we need to go in that direction. Mr. Potter stated that to answer Commissioner Blackburn's question, it averages about 34-40 per month historically. You will get hits of about 60 or so a month and then hits of 20. Commissioner Blackburn clarified that we have about 2,500 total. Mr. Sawyers stated that it is about 2,300 installed. Commissioner Blackburn inquired if the warranty will cover what is tearing these things up. You just said you have a power outage and you had to replace 16. Mr. Potter stated that these incidences are not covered. Commissioner Blackburn stated that he didn't see the benefit in that. If someone throws a matchbox car in there and it burns it up, is that covered? Mr. Potter stated that usually those they will cover. They don't give us a lot of grief on rebuilds unless they can attribute it to power issues or brown out. If it failed due to other reasons, they are pretty good about doing it with no questions asked. Commissioner Hurley inquired if AEP will make it up if they burn your pump up. Mr. Potter stated that if you have documented proof...and the only way to do that is that there are now controllers that you can put on the line at each lift station that actually records the power. They are really nice, but the Board did not have current funding for him to upgrade it the areas that he would like to have documentation at the time. Commissioner Blackburn inquired what it costs to rebuild one of these units. Mr. Sawyers replied that it costs roughly about \$400. Commissioner Blackburn stated that we are putting twice that into a new one and are getting a warranty but he doesn't know that every instance or every case is covered. What percentage of repairs are covered by the warranty. Mr. Potter stated that he could get him that information. Commissioner Blackburn stated that they need to know that before they commit to buying more of them. Commissioner Hurley stated that they also need to know what kind of a number he thinks that power issues kicks out. Mr. Sawyers stated that if we rebuild these you are not guaranteed how long they will last. It could be 3 months or 3 years. Commissioner Blackburn stated that he didn't think that the power being off the unit is an AEP problem but the customers are continually using the unit and when the power comes back on it is overloaded and burned up. Mr. Potter stated that in those cases, it doesn't usually burn up. What happens is that those pumps are made to be momentarily submerged. They are not water proof, they are water resistant. They are not submersible pumps. What happens is, and we put out letters that tell the customers if the power is off don't use it, etc. and they continue to utilize it. Then the level goes up over the control panel and everything and infiltrates back in and shorts it out. They will fix that. He was talking about that they may have had some that got ground out or something but for the most part they repair them. It is like Mr. Sawyers said, if you replace 34 a month on the 65 month program, you can get them all and they have a warranty of 5 years. Mr. Sawyers stated that what the Board needs to keep in mind is that what we rebuild is just parts not actual cost because UMG absorbs the labor. Mr. Potter stated that is why when UMG first took the Mountain Water project, the Wastewater Department only had 2 employees and 1 part time. Now he has 8 full time employees to try to meet the wastewater demand. Commissioner Blackburn inquired if UMG rebuilds these pumps for Mountain Water and for anybody else. Mr. Potter stated that it is for

Mountain Water only with the crew he has. Commissioner Hurley stated that the costs are about \$200,000 a year if you figure about \$400 each for rebuilds. Mr. Potter stated that he would have to look but sounds about right and they have printed that out before. Commissioner Blackburn stated that somehow you have to get the folks that are using these units to buy in to protecting them and he doesn't know how you can do it when there is no responsibility there. Mr. Spears stated that the tariff could be changed to say they replace them if it is their fault. Mr. Potter stated that if we can document, say there is a matchbox car in there, and we can prove it, we do bill them. We send out a packet when they sign up that tell them what not to put in them and if they are caught they will be billed for the repair. Ms. Olson stated that most of them are grease issues that we send letters out on. Mr. Potter stated that they try to educate customers on these and he doesn't know how else to do it. Mr. Sawyers brought the conversation back to the funding, he clarified that the Board wants him to at least pursue Forest Hills. Commissioner Blackburn stated that he agrees with that and they need a motion for that. Mr. Sawyers inquired if they wanted to pursue funding for the lift stations and grinder units. You don't have to accept the loan. He can go ahead and proceed and that would give them about a month to think about it and Mr. Potter can come back with his other numbers. Mr. Hunt stated that there is a time frame on that. Mr. Sawyers stated that there is time frame for submitting everything but they don't have to accept the loan if approved. Commissioner Blackburn inquired if those are the only things the loan would apply to. Mr. Sawyers stated that it would be anything sewer related. Chairman Casey requested a motion to allow Mr. Sawyers to proceed with whatever is needed to make application for the Clean Water Act funding for Forest Hills, grinder purchase and lift station repairs and/or upgrades. Commissioner Blackburn made the motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 15-08-009

Mr. Sawyers stated that the warranty for the new technology that we put in over at Forest Hills and Appalachian Plaza for odor control has run out. They are working on a quote for an extended warranty on both areas. They are roughly \$65,000 items each and we did have some bugs to work out in the beginning but it is running smoother now. Basically ballpark they want \$7,500 each per year for a 2 year extension which would be \$13,000 each if the Board wants to spend that kind of money to extend the warranty. Chairman Casey inquired if we have any personnel that can do the maintenance on these. Mr. Potter stated that the cost would be on materials. We can do most repairs and programming of the PLC's. Chairman Casey inquired about the materials. Mr. Potter stated that he would have to get them through them and we could install them. Chairman Casey inquired what Mr. Sawyers recommended. Mr. Sawyers stated that he would like to talk to Jamey Keathley and Randy Conley about it to see, from their opinion, what they can and can't do. The only key to it is that our warranty runs out at the end of the month but it is not going to hurt us. Chairman Casey stated that Mr. Sawyers is to get with Jamey and Randy and this issue will be tabled until the September meeting.

Mr. Sawyers stated that the only other thing he has is a request for a water line extension at Three Mile. Mr. Potter distributed a cost estimate that he worked up on this extension. It is roughly 3,600' and 10 homes. The last two or three houses will be beyond the pressure limitations for gravity feed so it will need a booster pumping station and the last one we got was about \$50,000. Mr. Sawyers stated that it is a cost of about \$240,000 to serve 10 homes and debt service would be difficult on this. Commissioner Hurley stated that there would be no way you would make your money back on that. Mr. Potter agreed with that statement. Mr. Sawyers stated that there have been other requests as well at Sycamore of Lower Johns Creek to finish it out. We have water currently to the Forks. Mr. Sawyers stated that he is going to write a letter to the Fiscal Court letting them know that we do have a request and if we can pursue Coal Severance, maybe we can do that. He has also mentioned to a couple of people at the courthouse that

now that they have the occupational tax, maybe they would want to put some money aside for line extensions.

Chairman Casey requested a motion to approve the Manager/Administrator Report as presented. Commissioner Blackburn made the motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-08-010

NEW BUSINESS

Mr. Spears stated that he an item. The PSC return will be filed today for 2014 and he just wanted the Board to be aware of it. They do it online and he has hard copies to have on hand.

1. **Big Creek Line Replacement:** Mr. Sawyers stated that this item was already discussed during the meeting.

2. **Buchanan County PSA Possible Service to MWD Service Area:** Mr. Sawyers stated that this item needs to be tabled until the September meeting.

COMMISSIONER COMMENTS

Chairman Casey inquired if there were any Commissioner comments. There were none.

ADJOURN MEETING

Chairman Casey requested a motion to adjourn the meeting. Commissioner Hurley made the motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Aye
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-08-011

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

September 30th, 2015
10:00 AM

ATTENDEES

Robert Ferris, Resident, Belfry, Ky.
Julia Roberts, Appalachian News Express
Richard Paulmann, CPA
Jamie Noe, Vaughn & Melton
Jody Hunt, Summit Engineering, Inc.
Stephen Caudill, Bell Engineering
Tim Campoy, EDC, Inc.
Dan Stratton, Stratton Law Firm
Mike Spears, Spears Management
Roy Sawyers, Mountain Water District Administrator
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Financial Administrator, MWD

CALL TO ORDER AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, September 30th, 2015 at 10:00 a.m.

Commissioners present for the meeting were as follows:

Commissioner Ancie Casey
Commissioner Kelsey Friend, III
Commissioner Mike Blackburn
Commissioner Johnny Tackett

Commissioner Eddie Hurley was absent for this meeting.

VISITORS AGENDA ITEM II

Chairman Casey inquired if there were any visitors who wished to speak. The Chair recognized Robert Ferris from Belfry. Mr. Ferris stated that most people know him as "Radar" with the Belfry Fire Department. Mr. Ferris stated that he has lived behind Belfry Middle School for about 10 years and his water bill was always \$20.62 every month. They came and changed his meter out in July and it went from \$20.62 to \$112 and then went back down to \$20.62. He has had no leaks and the guy that came and changed the meter out told him he didn't have any leaks and the reason they changed the meter out was some kind of battery or something going bad in it and it showed on their machine as going bad. Mr. Potter stated that he believed that they can adjust that back to his average. We just talked about that in the Operations Meeting that the batteries are starting to go bad and as they do there can be erroneous readings. He directed Mr. Lowe to step out with Mr. Ferris and get his info and we will adjust it back to his average. Mr. Ferris thanked the Board and left the meeting with Mr. Lowe. Mr. Potter stated that the batteries on the radio read meters are reaching age and as they start getting weak there may be erroneous readings. Chairman Casey stated that we need to correct that. Mr. Potter stated that he has recommended that and it will take about \$3.2M dollars to replace all of the batteries. Mr. Spears stated that the batteries cost more now than the meters were when we got them and they are out of warranty. Mr. Potter stated that he has more information on that actually. Commissioner Blackburn stated that they could get into some discussion on this but it looks like the battery replacement program is more

expensive than just a program to replace the meters. Mr. Pötter stated that it is also more intensive. Just to replace the batteries...you have a radio read head with a transmitter and a battery that is potted in. If it goes out you can send a guy out and take that apart and bring it into the shop, cut the wires on it and attach the new transmitter and pop that back in and let it set up and then run it through the computer to see if you have it right. If you don't, you have to cut it again and replot it. Then it has to be run through the computer again and taken back out and put in and the differential is not that much just to buy the new radio read head with battery and all.

APPROVAL OF MINUTES

AGENDA ITEM III

Chairman Casey requested a motion to approve the minutes of the regular meeting held on August 26th, 2015 as presented. Commissioner Tackett made the motion to approve the minutes as presented. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-09-001

FINANCIAL REPORT – MIKE SPEARS, CPA

AGENDA ITEM IV

Mr. Spears gave the financial status report. Mr. Spears stated that for the month of August, cash in bank was \$330,076. Accounts receivable was \$1,033,722. Plant in place was \$139,594,607. Accounts payable at the end of the month was \$2,052,978. Equity position is \$78,721,247. Revenues for the month were \$714,550 and for the year is \$5,846,092. Utility Operating Expenses were \$940,794 and \$7,597,526 year to date. The loss for the month was \$257,906 and \$2,004,904 year to date. Included in the loss is depreciation of \$271,779 and \$2,174,235 year to date. Our loss is pretty much equating our depreciation and that is where our cash shortage is coming from. Operating income for the month was negative in the amount of \$226,244. Cash flow decreased by \$6,916. The current operating account balance is \$91,699 as of the end of August. We will be transferring the \$11,340 to the KIA reserve account and the \$9,902 to the RD reserve account. Current balances in those are \$763,938 and \$770,622. He stated if you have any questions to feel free to call him at any time.

Chairman Casey requested a motion to approve the financial report as presented. Commissioner Tackett made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-09-002

Mr. Spears stated that he was asked last month to quote a line of credit and loan for the Big Creek Water Line Relocation Project. The estimate he had last month was over \$160,000 that Mr. Pötter and engineers put together but there are some additional items that could be needed and as far as the loan amount he went ahead and did \$225,000 just to see what the numbers would be. Mr. Sawyers stated that we factored engineering in there and enough for one more location. We have an issue right now at the

mouth of Long Fork on Big Creek with the line being exposed and he factored that into it, too. Mr. Spears stated that the handout they have is a summary sheet of the quotes. There were two quotes turned in from both Community Trust Bank and US Bank. US Bank interest rate for 36 months is 2.99% and Community Trust is 3.75% and you have the corresponding payment amounts on the spreadsheet and there is not much difference in any of those as far as payment is concerned. The only one that is hard to compare is the 120 month. Community Trust Bank gave us a 5 year fixed converting to Wall Street prime with a floor of 5%, which means it will never go below 5%. US Bank shows a fixed rate of 3.95% as of September and that rate could be adjusted as of the date of financing so as to maintain the same margin. What they gave us...he used the 3.95% and the 5% although it still could vary a bit. Mr. Stratton stated that it is still a 10 year fixed rate; they are just going to adjust it at closing to maintain the margin as stated. Mr. Spears stated that his only comment is that how quick are we going to have this shovel ready. Whichever bank you choose, we need to talk to them and confirm that they can close this in 2 or 3 weeks. If you get too far out it will be December before you can get started in winter weather. Mr. Sawyers stated that he has spoken to US Bank and he told them that they needed it pretty quick because we needed to get it installed before it starts freezing. Commissioner Blackburn inquired if Mr. Spears had a relationship with either bank that could guarantee that it would speed things along. Mr. Sawyers stated that we just need to put a guarantee in there, if they can guarantee us the money in a certain amount of time you can have it. Mr. Spears stated that the biggest things are that you are dealing locally with a local or regional bank that you have to go somewhere else to get approval on. He believes we will have to go 10 years; 3.95% for US Bank or 5% for Community Trust. Chairman Casey requested a motion to approve the loan with whichever one the Board chooses. Commissioner Tackett inquired if they were fixed rates on both of those. Mr. Spears stated that Mr. Stratton seems to think it is from what he just said and he has been a banker, the way he read it, Community Trust will never go below 5% but it could go up. Commissioner Tackett stated that if he understands it right on US Bank it is kind of locked. Mr. Stratton stated that the difference is that the way it reads for Community Trust that is "5% fixed for 5 years and then converting to Wall Street prime with a floor of 5%" so it will never go below 5% and in 5 years if rates are up it could be higher. The US Bank proposal says "at an annual rate equal to prime announced by bank minus 1%, the interest rate will be adjusted every time the prime rate changes." So they are tying it to 1% below prime. There is about a point difference in there. The only other thing they said was on a 10 year, they have a margin on costs to finance so what they are saying is that if their cost to finance jumps a quarter of a point, then our rate would jump a quarter of a point but it would be the same margin. Mr. Spears stated that they are guaranteeing 1% or whatever their margin is right now. Mr. Stratton stated that is fixed for 10 years. Mr. Spears stated that his understanding is that the two 5 year loans are fixed. Commissioner Blackburn clarified from Mr. Spears that he recommends the 120 month options. Mr. Spears stated that he just feels like that is probably what we should get. We ought to try to draw it out as long as we can to at least...we should get at least 10 years out of that project; more than that honestly. What we are going to do is a construction loan up until...that's why they are saying 3.95% adjusted to the closing. We have to do a construction loan and it shouldn't be a very long project. Commissioner Blackburn stated that if US Bank can close it in the window that we need it done in, he makes the motion that we go with the US Bank option of the 120 month option. Chairperson Casey stated that we have motion and need a second. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-09-003

Mr. Spears stated that they probably need to start with the PSC and give a notification to them for approval. Mr. Stratton agreed that will be done.

Mr. Spears stated that Mr. Richard Paulmann is here to present the 2014 Audit of the Mountain Water District and has also brought with him an engagement letter for the next 2 years for the Board to retain his services at the same rate he has been charging. Chairman Casey clarified that it is the same rate with no changes for the next two years. Chairman Casey requested a motion to approve the engagement letter

and retain this same auditor for the next two years at the unchanged rate. He believes that once this Board hears his explanation of the audit like he did last year here, it is very, very thorough and he was very impressed. Commissioner Friend made a motion to retain the services of Mr. Richard Paulmann for audit services for the next 2 years and approve the engagement letter as presented. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-09-004

2014 AUDIT PRESENTATION – Richard Paulmann

Mr. Paulmann stated that he would like to start with page 1 which is an unmodified opinion letter. Page 2 under Opinion it says that he believes everything is fairly presented. Page 3, net assets decreased by \$3,102,290 from operating activities which he will address more in a couple of minutes. The outstanding debt principal or payments on outstanding debt is \$911,226 plus \$33,353 if debt cancelled per the agreement with the management service company. Page 4, revenues decreased by \$251,344 probably from the loss of coal mines and the reduction of water use there. At the end of the year, net assets was \$75,560,498 which is an increase of \$817,350. He wants to point out that this can be a little deceiving in that that \$817,000 increase really is in fixed assets from Coal Severance money. It does not help you with operations. Page 6 is the statement of financial position so the equivalent of a balance sheet. Operating cash decreased by \$72,000, receivables increased by \$146,000. Your day's receivables and sales are at \$46,000 which is an increase over last but that is still really good. Restricted net assets all ties back to page 21 of the footnotes. Cash depreciation reserve increased by a \$109,000 and cash construction decreased by \$95,000. Customer deposits decreased by \$41,000 and cash operations and maintenance reserve is about even. Cash wastewater operations increased by \$126,000 for a net of \$76,000 increase and that ties to page 21 of the footnotes. Cash construction ties to page 20 of the footnotes. The capital assets section ties to page 18 of the footnotes. \$3,668,064 in assets and \$3,731,000 increase in depreciation. Construction in progress is broke out item by item on page 19 of the footnotes and total assets decreased by \$1,107,000. On page 7 you see that accounts payable increased by \$612,000 which is mainly due to construction and Coal Severance. When we get to the next part you will be able to break out the Coal Severance and those that are all tied to fixed assets and operations. In operations you have been carrying that cash loss in loans from the management company and that is why accounts payable has increased. Total current liabilities increased by \$477,000 which is mostly due the management company. The debt all ties to page 22 through 27 of the footnotes and is a loan by loan description of each bond or note. Advances for construction ties to page 27 of the footnotes. Long term liabilities decreased by \$2,401,000. He stated that he wants to be sure that the Board understands that the trade credit, there is some dangers in carrying that loss through the management company. The danger there is that first, your current ratio decreased which is current assets to current liabilities decreased to .53. Then when you go to your net assets at the bottom, that loss would be better off (and it is in the management letter) to go back to what you just done and take long term debt to carry that kind of loss because 1) it will increase that current ratio and 2) when you go to that net assets sections down there, what you are going to find is the trade credit carried through the management company where it goes directly to your unrestricted net assets which is the amount you can appropriate into the next period. And that is main reason why it decreased \$511,000. If you had taken it long term debt instead, it would be up there in the invested in capital assets net of debt, meaning you would have a \$612,000 automatic increase in your unrestricted net assets, the amount appropriated going forward so how you carry that is pretty important. If you take current assets over sales minus current liabilities over sales, it will give the amount of assets you need in place to produce \$1 in revenue. So let's say you have a project that will produce \$1M of revenue. If you use your current ratio there, it is \$8.48 needed in assets to produce \$1 in revenue which means you would need \$8,480,000. That is a good ratio to know with any new projects you've got going on. Page 8 is your statement of revenue and expense or profit and loss. \$251,000 decrease in operating revenue partly because your coal mines are your largest users of water and there

are fewer of those so your revenue is decreasing. Contract with the management company increased by \$157,000. Mr. Spears stated that he wanted to address that by saying that initially he thought something was wrong with that number, but we have paid them some back R & M last year that was an overage and that was part of the reason. That was about \$114,000 or something we paid them for that. Mr. Paulmann continued by stating that operating expenses increased by \$437,000 and at the bottom of the page is a very important measure that you need to keep an eye on. 2 years ago \$2,465,000 loss from operating including carrying the debt, and then this last year is \$3,102,000. Page 9, Capital contributions. Really that is mostly Coal Severance money and most what is there either went into fixed assets or grants and did not help you with your operating expenses. It does help with your infrastructure assets but for operations, it doesn't help you. So net is \$817,000 increase but primarily went into the ground and into fixed assets for a total of \$75,560,000 which ties to page 7. On page 11, if you own your own business, we are required to do an indirect and direct cash flow. When a CPA does your accounting he almost always does an indirect cash flow which is page 7 which is where you take your income and flush out your changes from the balance sheet. So your operating loss is \$2,704,000 which ties to page 8; add back depreciation. Your biggest add back there on the page is \$612,000 which is mainly due to the management company and gives you \$1,449,000 which ties back to some thoughts of page 10 which is the direct cash flow. There you will see that your \$8,852,000 received from customers, payments to suppliers is \$7,239,000 which is down \$314,000 partly because of paying the management company. That is a decrease of \$131,000 cash provided by operations. Construction and aid decreased \$1,200,000 and was \$3,802,000. There was a decrease in advances for construction which is \$1,723,000 which is a change of \$1,249,000. Purchase of plant and equipment is down \$1,520,000 which makes it \$3,816,000. Increase in construction in progress by \$1,708,000. Cash used in financing activities was \$1,496,000 which was \$229,000 more than the previous year. Net change in cash was \$6,076 which you gives you \$2,876,000 which ties back to page 6 with \$133,966 operating and reserves of \$2,742,000. Page 13 is a breakdown of the cash we just talked about. \$133,000 in operating, \$2,742,000 in restricted cash. He knows he talked last year about Gadsby 68 and CERS and how a portion of that debt, that Kentucky decided that CERS doesn't hit their balance sheet as of yet, so they decided that it is a non-balance sheet basically loan to the state of Kentucky so they haven't bonded it more property. CERS is \$13M and needs to be properly funded. They came out with a new announcement that Gadsby 68, next year, will require everyone in CERS to pick up a portion of that unfunded liability. Payroll was \$149,000 and CERS was \$116,000 which consisted of \$20,562 from the District and \$5,818 from the individual employees. Page 17 has listed that it is only for non hazardous portion that is unfunded to give you an idea how much is unfunded. The good news is that every city and special district including Mountain Water are listed on there along with the amount that will have to be picked up for CERS is listed on there. He has emailed that to Mike Spears and Carrie Hatfield. It looks like it is not even going to be material enough to record it. Mr. Spears stated that he believes it is less than \$1,000. Mr. Paulmann stated that what happened there was with this Gadsby 68 when it came out, a lot of people in Kentucky and a lot of the cities decided that they were going to jump on places like UMG to come in, keep and maintain the same employees, dump CERS to get out of that Gadsby 68 and there are quite a few places that did that. He audits some of them. The District lucked into that and what that did, which is something you gained by the management company being here, is that is reduced your liability from that \$13M deficit to being very low. Mr. Spears stated that he will forward the email that shows how they calculated the numbers. Mr. Paulmann stated that when he came out two or three years ago, management companies in Kentucky had a big surge in people that wanted them to get out of this item. Mr. Spears stated that basically what they did is that they put everybody in a pool based on what you paid last year and you picked up a percentage of that and since we had such a small payroll, it reduced the percentage to pay. Mr. Paulmann stated that in the county where he lives, they had to pick up \$21M for their portion for being in CERS. It could be a larger deal than you think. A lot of the fire districts that only have a couple million dollars in revenue are being forced to pick up quite a bit of that. Next is customer deposits of \$321,000 in the current year. Page 18 is your fixed assets and disposals which ties to page 6. Page 19 is your construction in progress broke out by water and sewer project which ties to page 6. That is a project by project list. Page 19 is deposits with financial institutions. You had required collateral agreements and there is no problem there. Page 20 is construction funds which ties back to page 6 and is a bank account by bank account detail of what goes into that balance as of December 31st. Page 21 is your restricted assets and reserve net assets and it increased by \$77,000 and ties back to page 6. On the bottom of page 21 you've been making your sinking fund and debt reserve payments as required per agreement and are now underfunded on KIA by \$147,000 and depreciation reserve by \$51,000 so in the near future you are going to pick up a \$240,000 annual increase in cash flow there. It won't be much longer and those will be caught up. Page 22 is a

complete list, loan by loan, of bonds payable. Page 23 totals there tie back to page 7. They changed that in the last few years. \$3,851,000 total principal and it has a breakdown of your payments schedules throughout the life and also your interest. Notes payable goes from page 24 through 26 and the total on page 27 ties back to page 7. Below that is a breakdown of your payment schedule throughout maturity, principal and interest. The bottom of page 27 is your advances for construction project by project which ties back to page 7. Page 28 is a description of the agreement with the management company and pages 29 and 30 are the required internal control reports. He did not find any problems to report so that is the best opinion on internal controls. On the Management Letter, he wants to point out that at the bottom of page 4 and also 5 it states that this is an internal report meant for the Board only. This is not part of your audit for someone to request, this is an internal report. On page 2, there is not material adjustments to post and page 5 is a wish list for different improvements. He may have another comment or observation as well. All tanks should be surrounded by barbed wire, padlocked, and he would like for MWD to write on their tanks in large letters "Private Property". When they were out looking at things which he likes to see what he is auditing, some of the padlocks had been taken and you have some problems there. Also, it is always in your best interest for the deposits to be run by two individuals instead of one. That way if something does happen you have two people to collaborate and give descriptions and say what did happen. Three, there are some old assets on your schedule which need to be deleted and the accounting and management company needs to work together and pull those old assets off the schedule. Then, because of what we just talked about a few minutes ago, your current ration and also your unrestricted net assets, carrying that loss and negative cash flow through trade credit, he believes the Board should consider taking a long term loan for that which gives you higher unrestricted net assets where you can appropriate into the next year. Also, there are old checks that are on your bank recs that add up to about \$75,000. Mr. Spears stated that they are over various accounts. Mr. Paulmann stated that those need to be cleared out because you are making some decisions regarding cash flow and to have that \$75,000 difference in there is an issue for you to make good decisions concerning cash flow. Chairman Casey inquired if that was project we need to close out. Mr. Spears that some is and there are some in the operating account. He told Mr. Paulmann when he brought it up that he will get with Kevin Lowe because there are two different programs. If not, there will be problems. He and Mr. Lowe will work together to get than cleared up and rolled into the regular account. We have bank rec software and accounting software and it has to be taken care of in both places. Mr. Paulmann stated that also with your loss of revenue with the coal mines being down, have you looked for new revenue sources, such as, the management company is spending \$1,200,000 per year for electricity. Is there any way you can come up with to put electricity back into the grid and make some revenue there. Also at \$1,200,000 per year he would send two people from MWD to the electric company to see if they can give you a special rate and he thinks every couple of years he would work that. For other sources of income you don't have now also, you've got the highest land and your towers are normally on the highest land, can you sell any cell tower space where they will pay you to hook up? Consider alternative funding sources to help out there. Also, check to see if there are any operating grants to help with operation cash flow instead of all grants that help which help with infrastructure assets. That is everything that he has on the 2014 audit report. Chairman Casey stated that it was a very good report and very thorough and he was glad to hear some positives there at the end. He requested a motion to approve the 2014 audit report as presented. Commissioner Tackett made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution 15-09-005

PAYMENT OF BILLS

AGENDA ITEM V

Mrs. Olson distributed handouts for the payment of the bills to the Board members. After several minutes of review, Chairman Casey requested a motion to approve the payment of the bills. Commissioner Friend

made the motion to approve the bills as presented upon availability of funds. Commissioner Blackburn seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-006

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

Chairman Casey requested a motion to approve Customer Adjustments in the amount of four thousand, eighty-three dollars and fifty-eight cents (\$4,083.58) as presented. Commissioner Blackburn made the motion to approve the customer adjustments as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-007

CONSTRUCTION REPORT AGENDA ITEM VII

Update by Jamie Noe, Vaughn & Melton

1. Millard Curve Line Relocation –DOT Project

There is no change on this project since the last meeting. The engineer does not anticipate a change in this project until spring when the contractor is to get started on this portion of the work.

2. Majestic Alternative Sewer Project

Since the last meeting Mr. Pötter and Mr. Sawyers were able to go out there and make sure that the soil samples were obtained and they are waiting to get those results back. She and Mr. Sawyers are scheduled to go up there today and meet with some people with the Health Department. Mr. Sawyers stated that Mr. Pötter, Mrs. Noe and himself will be meeting with them at 1:30 today. Chairman Casey inquired when we will be looking at some actual work there. We have been a long time with studies and...Mr. Pötter stated that right now til you get approval from the state, public health or DOW for the system you put in you'll do nothing, and as of right now we have gotten no approval for any type of system. Mr. Sawyers stated that the health department has already looked at this and coming from the Salyersville representative, he said no already on what we are wanting to do in that one area and that is why we are sitting down and talking today to see why. Mrs. Noe inquired if there were any other questions regarding these projects. There were none.

1. Cabin Knoll/Scott Fork DOT Relocation Project -

Mr. Campoy stated that on the Cabin Knoll Project, it is in service and a substantial completion form has been done and delivered to Mr. Sawyers today. The only thing left to do is to install the bollards at the PRV and to grout the rip rap that is along the bank for stabilization in behind the pump station. That was originally scheduled for the second week of September by Bush & Burchett but they have been delayed in doing their first pour for the bridge and that is what they were planning was to do all of the concrete at one time. They are now looking at doing the work the week of October 5th. Once that is done, that will complete all of their obligations to MWD for this project.

2. KY 610 – Virgie Bridge DOT Relocation Project –

Mr. Campoy stated that the highway department is still working on right of way issues up there and until the right of ways have been obtained they cannot begin the relocation of the water and sewer lines up there. The plans have been approved by the Division of Water. The Board asked last month to try to schedule a meeting with the highway department to separate this water and sewer relocation from the bridge construction. They broached the subject with them and tried to get a meeting set up but scheduling conflicts prevented it this past month and they are still trying to get that accomplished.

Mr. Sawyers stated that they are having a similar situation with Marshall's Branch. They have run into a situation there that Steve Caudill is working on, based on a certain amount of room to make the project work so he may have the same issue.

Mr. Campoy stated that they will keep working on that to get it set up so the Mr. Pötter and Mr. Sawyers are at the meeting and we can try to push them to separate the project from the bridge. Mr. Pötter stated that he and Mr. Sawyers have more control over the project if it is separate because it is tied with the highway department and they get to put their finger in it and as long as they pass a highway department thing, we lose the consideration of what we may want to do. Mr. Sawyers stated that basically what we do is try to avoid being involved in part of the contract project that does the line separate to keep from getting involved with the other contractor. When you do you have issues sometimes. Mr. Campoy stated that it worked so much neater when they did that on Scott Fork of Meta. They were able to separate the different functions. On up the road at Cabin Knoll they wanted it part of the bridge contract though and it all had to go through the bridge contractor. Mr. Sawyers stated that each project will be different and they just have to deal with it as it comes.

3. Lower Big Creek Waterline Relocation –

Mr. Campoy stated that they have done some preliminary things with this project such as preparing aerial mapping for that area, they have gotten the highway department mapping put together and have started surveying up there for the road bores. It is not all done yet but they are still working on that. One of the next things they have to do is get back out into the field and talk to several residents in that area. If you recall that waterline being along the creek ends up with taps being behind people's homes rather than in front. So we have a couple of places that actually have to cross Big Creek and another where you have to go down across the road to go in between a couple of homes to get to the back side to get to where we can tie in to their taps. Otherwise you are talking about having to do a new meter set up front and going into the house at a different location. There are some details we are trying to work out. Mr. Pötter he realizes there are issues but we really need to push this. Cold weather is coming and he has lines laying on the ground. Mr. Sawyers inquired if Mr. Campoy anticipates any issues as far as easements because we do have right of way with the line already where it is. What about the two bore locations? Mr. Campoy stated that those are two of things in front of us that they have to still do and will need assistance with that. Mr. Sawyers stated that we should already have right of way for the existing line and are most concerned with the bore pits. Mr. Campoy stated that not only bore pits, but we have to cross a service line down on the lower end between two homes. Mr. Pötter stated that he

believes that is the area they were talking about earlier. Instead of trying to go all the way back around and tying in, you could actually go down between the property lines of the people with a 1" and just split off and catch them. The other one that crosses Big Creek, we can use our existing service lines probably for that. Mr. Campoy stated that is something that still needs to be done. Mr. Pötter stated that along these lines also, he was down at the Big Sandy ADD for their meeting, and the representative from Hal Rogers' office was there and they are working with Amanda Lemaster with the state. Hal is going to have this guy arrange a meeting with the counties that surround the area...there is some FEMA mitigation money that is unrestricted and not tied to any event. If you have been impacted by any flooding events over the years, you can make a project to mitigate it. He thinks Big Creek would be an excellent area to go ahead and apply for. This is not the only location where there have been issues. He is supposed to call when he is coming in and they need to go ahead and develop a relocation project to get it off the creek and it would be 17 miles long but they won't fund that. We need to pick the problem areas we have had and he would like for them to authorize Mr. Sawyers to work up a project for him to apply for the FEMA mitigation funds to try to get some of those other locations taken care of. Chairman Casey directed Mr. Campoy to continue. Mr. Campoy stated that is all he has unless there are any questions. Commissioner Blackburn inquired how many home this impacts. Mr. Campoy stated that 14 homes will be affected. Mr. Spears stated that along those lines, if US Bank can't get this done in the time frame that we need it, we can go with Community Trust. Commissioner Blackburn stated that they want to amend that resolution to say that if US Bank cannot close on the construction loan within ten (10) business days that they go with the Community Trust option. Chairman Casey requested a motion to amend resolution 15-09-003 to that effect. Commissioner Tackett made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-008

Update by Stephen Caudill, Bell Engineering

1. Deskins Curve Line Relocation

Mr. Caudill stated that the tank project is ongoing and the contractor basically got all of the access road to grade. The line contractor was scheduled to do the bores in the priority area starting Monday which got bumped back a couple of days so we are looking at late this week or start of next week. They have taken delivery of their pipe in that area also. Mr. Pötter stated that we are working with them to expose the line and prevent any accidents with the bore and to help line it up for them.

2. Marshall's Branch DOT Relocation Project -

Mr. Caudill stated that there are no key changes with this project and the plans and specifications are complete. The highway department is anticipating a construction date of March, 2016. They are having some discussions with them trying to pull this out of the bridge contract. It is a very small project and tight and he should know more next meeting.

Update by Summit Engineering – Jody Hunt, P.E. – on the following projects:

1. Awarded Projects:

- Douglas WWTP Upgrade Project – Mr. Hunt stated Ovivo has submitted the schematic design for the project. The engineer made some changes to that design to better the project and resubmitted those back to Ovivo and they are reviewing those. The geotechnical engineer has been hired and he was drilling yesterday at the Douglas WWTP. They have also hired a structural engineer to assist them with the structural design for the concrete structure of the plant. They had a meeting yesterday with a concrete supplier that do pre-cast concrete, post tensioning, and that is an option that they think they will put into the bid on this project and that will open up the bid process to other contractors that possibly may not bid the project if it was just a cast in place. That might open the field and produce some better bids on this. The Belfry Sewer Project coincides with this project update also.
- Belfry/Pond Sewer Project Update – Mr. Hunt stated that in conjunction with the Douglas Project they are also doing the Belfry Project. Ovivo is also the contractor there.
- FEMA BPS Mitigation Project – Mr. Hunt stated that construction has begun and the contractor is currently working on the main line and highway bores at the Johns Creek Railroad station. They anticipate him moving up to Kimper in the next week or two and start installing that. As discussed in previous meetings, one of the delays in this project is delivery of the pump stations. The contractor is trying to get everything ready and have all the line in place so when the pump stations are delivered they can be set on site and started up. There is a draw for this project this month. We have received submittals on this project and made some corrections and submitted them back to the contractor to correct those and resubmit them to them.
- Various Short Line Extension Project – Magisterial District #2: - Mr. Hunt stated that the project is scheduled for a final walk out on Thursday. There were some components to the pump stations that were left out and the contractor got those delivered and installed. He has coordinated that and final pump station checks will be done Thursday and they are scheduled to do the final walk out on that project then and it should be released in the next week or so. There is a little bit of funding left over on the project and they are evaluating where they could potentially utilize it for the best impact.
- Pompey Water Line Extension – Mr. Hunt stated that they have received a letter of conditions from Elwood Howe with RD and copied to Mr. Sawyers regarding that ARC funding. We had to go back and do some redesign where there were separate pots of money for different things, and divided it up into contracts and they have been requested to do some upgrades to existing pumping stations which they had to redesign also, and resubmit to the DOW. All of that is complete and once they get the permit back they will be ready to go to bid. Mr. Sawyers stated that he Chairman Casey met with Mr. Howe on Friday and Mrs. Olson has some paperwork here that needs to be signed and there are some resolutions that need to be passed with regard to the ARC funding for Pompey. This is a \$500,000 ARC grant. Mr. Hunt stated that you also got \$500,000 from AML and mitigation money. Mrs. Olson inquired from Mr. Stratton would like to read the resolutions

needed for ARC into the record. Mr. Stratton stated that they can be approved as presented. Mr. Stratton stated to let the record show that three written resolutions were presented being applicable to the Pompey Project for the ARC funding and are approved as presented to the Board.

- Approval of \$500,000 ARC grant and authorize Chairman Casey to execute any and all documents necessary to facilitate the ARC funding for the Pompey Project. Chairman Casey requested a motion to that effect. Commissioner Blackburn made the motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-009

- Approval of items 2 through 7 of the Letter of Conditions as presented. Commissioner Blackburn made the motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-010

- Approval of item 22 "Mitigation Measures" as presented. Commissioner Blackburn made the motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-011

PROJECT DRAWS:

Chairman Casey requested a motion to pay the draws as presented contingent upon funding agency approval. Commissioner Friend made the motion. Commissioner Tackett seconded the motion.

POMPEY AML PROJECT

Summit Engineering	AML Funds	\$ 21,754.60
\$21,754.60	Engineering Services	

BELFRY POND CREEK SEWER PROJECT

Summit Engineering	Coal Severance Funds	\$ 10,480.00
\$10,480.00	Engineering Services	

FEMA/JOHNS CREEK BPS RELOCATION PROJECT

Summit Engineering	FEMA Funds	\$ 14,576.00
\$14,576.00	Engineering Services	

H2O Construction	FEMA Funds	\$ 112,728.60
\$112,728.60	Contract Construction	

DOUGLAS WWTP UPGRADES PROJECT

Summit Engineering	Coal Severance Funds	\$ 8,927.63
\$8,927.63	Engineering Services	

DESKINS BRANCH DOT RELOCATION PROJECT

Bell Engineering	KDOT Funds	\$ 8,936.00
\$8,936.00	Engineering Services	

KY Glass Lined Tank	KDOT Funds	\$ 56,636.04
\$56,636.04	Contract Construction	

CABIN KNOLL DOT RELOCATION PROJECT

EDC, Inc.	KDOT Funds	\$ 12,236.50
\$12,236.50	Engineering Services	

PHELPS WWTP UPGRADE PROJECT

USA Bluebook	Coal Severance Funds	\$ 10,678.48
\$10,678.48	Materials	

Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-012

MANAGER / ADMINISTRATOR REPORT

1. **FEMA Declarations – 2015** – Mr. Pötter stated that Mrs. Olson has wrapped up the last one with FEMA and all three events have been submitted. Commissioner Blackburn inquired if they knew when we would hear something. Mr. Pötter stated that we just got some money back from the 2004 flood. He is not sure at this point when they plan to pay out. Mr. Spears stated that they just run out of money and just wait to pay it. Ms. Olson stated that we may see a small portion within the next year and then as they review them they will do the balances in years to come. Mr. Pötter stated that it doesn't turn over quick.
2. **Water Loss Information** - Mr. Pötter stated that this was covered in the Operations Meeting. Commissioner Blackburn stated that they had a Water Loss Meeting prior to the Operations Meeting as well. They have identified a couple of areas and would like to find another one that would qualify for a cost analysis study. For example, Marrowbone Creek where the oldest infrastructure is. The main line would probably be left in place, and just expose and reconnect over 100 customers. Mr. Pötter stated this is class 160, thinner pipe. We now use 200 psi rated pipe and that is part of the original infrastructure put in the late 60's and early 70's. What they will do is, they do a correlation on every leak. They will look and see where the worst sector is occurring and do a cost break out for the committee to review. That is the one we will go after and pursue first. Commissioner Blackburn stated that what he would like to do is to put a number to it, what it costs to repair/replace those and then look at the total cost versus the pay back and start whittling away at them. Chairman Casey stated that this a good job doing that and identifying them. Mr. Pötter stated that there are a couple we have talked about before where we have repeat offenders on main lines and he told Commissioner Blackburn that he will break those out again. Mr. Stratton stated that we need to keep track of this as a separate on-going project because we need to report to our efforts to the Public Service Commission and it is all under one continuing report. Mr. Sawyers stated that is one reason we mention it in the minutes of the meeting and have it on record.
3. **Extended Warranty Issue – Odor Control at Forest Hills & Appalachian Plaza** – Mr. Sawyers stated that we mentioned last month about revisiting the cost of the warranty for the new odor control technology at Forest Hills and Appalachian Plaza. Looking at the price, they are asking roughly \$15,000 for each site just to do a 2 year warranty for each one. He can't see spending \$30,000 for that. We can work on it to a certain point and if we have to and have an issue we can't handle, we can do a service call. At the current time we have not had any problems or issues out of the odor control system. Chairman Casey inquired about the odor issues at the Shelby Valley WWTP. Mr. Sawyers stated that issue will be involved with the upgrades to the Douglas WWTP project. They will address it also from the Penny Road and Lick Branch intersections also. Commissioner Tackett stated that if you stop at that red light you can't set there too long. Chairman Casey stated that you can't enjoy a football game at the stadium either. Commissioner Blackburn stated that he is sure the odor is made worse by processing and inquired if there was a way that during the afternoon or evening of a football game, you don't do the processing. Mr. Pötter stated that we already do that. We try to adjust the aeration but that is not really what makes that odor. Just like Commissioner Tackett said, if you stop at Lick Branch, when the material comes in it is biologically dead and has started making hydrogen sulfide. The smell you get is when one pump station pushes it in to the next one, but when it comes to the plant that actual process of the plant is not that bad. It is the incoming material that causes that odor. That is why if we go to the odor control, we have had good success with it, because it starts along the line and it will alleviate the problem by the time it gets to the plant.

Commissioner Tackett stated that while they are speaking about that District, someone brought up construction at Three Mile and someone said they were going to follow through and see if there was any Coal Severance funding available to help with that. Mr. Sawyers stated that he believes that the Board told him go ahead and look for Coal Severance in that meeting. We would need to go ahead and do a WX number and apply for Coal Severance. Mr. Pötter stated that they have done a cost break down for it and it will required a pump station for those people because it is on the verge of our pressure limits. Mr. Sawyers stated that they will proceed and go ahead

and go through the process to have a WX number assigned and have it approved with Big Sandy ADD and then go ahead and pursue Coal Severance money. Mr. Pötter stated that it has to be presented to the Pike County Fiscal Court for their approval and ranking as well. Mr. Sawyers stated that another area that has showed a lot of interest and concern is the Sycamore area at Lower Johns Creek. If the Board would want him to pursue that, he can do that from a Coal Severance perspective to see if we can get funding for both of those projects. Mr. Pötter stated that there is no funding currently available that had been carried over for those projects and none of the Magisterial areas have any funds that can be carried over and could be applicable to that project either. We would have to reapply again for it for the next fiscal year. Commissioner Tackett inquired if there was a time line on when you have to do that. Mr. Pötter stated that you just have to get it to them before they come into session again. We can apply for the WX number at the next BSADD meeting in November.

4. **Lot Access Granted – Across the Road from the MWD Garage** – Mr. Sawyers stated that if you notice across from the garage there is a lot that is grown up in grass. That is owned by the county. FEMA came in and mitigated the property and it cannot be utilized for anything, it can't be built on or done anything with. He has a verbal agreement right now, but it hasn't been approved yet by the fiscal court to allow us to use that lot for parking. If the Board will allow him to proceed to utilize the lot if the fiscal court approves it, he would like to spend \$8,251 to fence it and install another roll gate to lock it up. Also about \$2,000 to \$3,000 in stone to gravel it. We just will be extending the lot on down. Mr. Pötter stated that the equipment that the Board has purchased over the years, we have run out of storage. The jetter, the pumper truck, etc. is setting out in the weather. Mr. Sawyers stated that it will allow us to utilize that area for parking and we could look in the future of possibly constructing a simple lean to over there to park generators and some equipment under it to get it out of the rain. Chairman Casey stated that he thinks it is a no brainer if the county will let us have the property. Mr. Sawyers stated that he just needs the Board's approval to proceed with the fencing and the stone upon the fiscal court's approval. Chairman Casey requested a motion to allow Mr. Sawyers to try to acquire the property from the Pike County government and if he is able to obtain that from the fiscal court, that the District proceed to fence it in and put down stone. Mr. Sawyers stated that they are not going to acquire it but get permission to use it. Commissioner Blackburn stated that he thinks the Board should just let Mr. Sawyers get something in place with the county if they will give us a month to month or year to year lease. Mr. Sawyers stated that it may just be a verbal agreement. Chairman Casey stated that if we fence it and stone it and then they say we have to get off of it, we have nothing to assure us of those expenditures. Mr. Stratton stated that the reason they couldn't give us that is because of a FEMA issue where it can't be used. Mr. Sawyers stated that fiscal court wanted to charge the District a lease but they would have to make a payment to FEMA and they decided to just do it verbally. Mr. Stratton stated that is kind of just a mutual agreement that we can use it month to month but if they told us to leave, we would have to do so. Commissioner Blackburn made a motion that we confirm with the county that we can use the property and at that point for Mr. Sawyers to come back to the Board and they will finalize what is needed at that time. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-013

Mr. Sawyers stated that the last item he has is that the SRF funding call for projects has been sent out. SRF funding is available for water or sewer projects and he would recommend that the Board go ahead and assign a couple of Board members to set up a committee to evaluate projects and pick which ones to apply for funding. Commissioner Blackburn stated that he believes that they have identified at least two in the Operations Meeting this morning. One is the dipping of the lagoons at the water plant and it is pretty costly. He inquired what Mr. Pötter would

estimate that at. Mr. Pötter stated that he thinks it is right at a half a million dollars. Mr. Sawyers stated that he worked up some numbers in the past and presented it to the Board before...Chairman Casey clarified that what they want is for a couple of Board members to assist in identifying the necessary projects to apply for. Mr. Sawyers confirmed that as correct to identify projects to apply for SRF funding. Chairman Casey stated that he is going to appoint Commissioner Blackburn and Commissioner Tackett to that committee to take that responsibility to work with Mr. Sawyers and Mr. Pötter to identify those projects to seek funding for those identified. Mr. Pötter stated that there are some other viable ones also, just like on the FEMA project. They may look at a couple of those also. Chairman Casey inquired if there was anything else on the Manager's/Administrator's Report. There was nothing further.

Chairman Casey requested a motion to approve the Manager/Administrator Report as presented. Commissioner Blackburn made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-014

NEW BUSINESS

1. **Big Creek Line Replacement:** Mr. Sawyers stated that this item was already discussed during the meeting.
2. **Buchanan County PSA Possible Service to MWD Service Area:** Mr. Sawyers stated that this item needs to be tabled until the next meeting.
3. **Rate Case Update –** Mr. Stratton stated that they have checked back with the PSC and have not heard anything. The deadline for their response is October 11th which is on a Sunday. Jack Hughes has said that we would have answer to us by Friday, October 9th, and we can go from there. The issue the Board has is that we need to make a resolution to make this effective and approved because as soon as it is handed down by the PSC, whatever it is, we have two options; we can either appeal the decision but that is a very high risk and the odds of winning are slim and none, and the second thing is to adopt it and go forward. What we have talked about it with the revenue where it is at, is instead of waiting to the October meeting to approve it and we lose that billing cycle, is to have a resolution now that says the Board authorizes the implementation of the rate increase as soon as the order allows. Commissioner Blackburn made that motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-015

Mr. Sawyers clarified that it will be effective with the beginning of the first cycle that way there is not confusion as to when to begin with the new rate. Mr. Stratton confirmed that it will start effective the first billing cycle after it is approved. Mr. Lowe stated that we bill from the middle of the month to the middle of the next month, so if it is approved on the 11th those next bills go out the 16th.

Commissioner Blackburn stated that he would like to have a discussion about some of the comments that Mr. Paulmann made during the 2014 audit. He thinks one point regarding our position as far as our current liabilities, we probably need to explore a line of credit that would at some point be converted into a long term debt to alleviate getting that taken care of. Chairman Casey stated that is one of Mr. Paulmann's recommendations. Commissioner Blackburn stated that we should make a decision here today to move forward to get that taken care of. Chairman Casey inquired what Mr. Spears recommendation on that would be. Mr. Spears stated that we've got a little bit of an allowance to kind of search and talk to people and we could look at KACO and someone like that as far as long term debt. Chairman Casey stated that he believes that is a good idea. Mr. Spears stated that looking at our cash flow as where it's at, we can't...depending on what this rate increase does, it might be something to bridge that gap until we get...Chairman Casey stated that the Board needs to really look at all of the recommendations from the auditor. Mr. Spears stated that the biggest issue on the audit recommendations is having two persons taking the bank deposit. He asked Mr. Paulmann about that and why he recommended two. He told him that one of his other clients had been robbed and with two people at least you have two points of view. Mr. Pötter stated that we have put some things in place where it is reviewed at least multiple times. Mr. Spears stated that the internal controls are a lot better than they used to be. Mr. Pötter stated that the thing is that we have to get it to the bank before they close so she can actually do it and he would have to let two people leave prior to quit time. Right now he is making an exception to do that but he does not have the personnel at this point to allow two to do that. Commissioner Blackburn inquired how often they go. Mr. Pötter stated that they go every day because some days are quite large here and we do it every day to help Carrie with her cash flow. Chairman Casey stated that item 4 is something that the Board really needs to take a serious look and though on. Mr. Spears stated that if the Board wants him, Mr. Sawyers and Mrs. Hatfield to look at what is available, they will come back next meeting with some information. Chairman Casey agreed with that proposal for them to present their information to the Board at the next meeting. Commissioner Blackburn inquired if they had addressed their concern with regard to two people going to the bank and how we are going to do it. Mr. Pötter stated that if one of the Board's personnel wants to go with her that is fine, but he cannot release two people early every day to go do that. Commissioner Blackburn inquired where they have to go. Mr. Lowe stated it is the main branch in Pikeville. Chairman Casey inquired who makes that trip. Mr. Pötter stated that right now Flora does the delivery in the evenings. Chairman Casey inquired if we have had any issue or problem. Mr. Pötter stated "no" and it is a locked bag and is triple counted before it leaves here. Mr. Spears stated that we have changed a lot of those processes. Chairman Casey stated that he knew he had not heard of any problems in that area. Mr. Pötter stated that he didn't want her going after hours to drop it off because that would make problems more likely and it is safer for her going during the day. Ms. Olson stated that there are cars in the parking lot when she goes and customers coming in and out, and it is not dark or after hours. Commissioner Blackburn clarified that she has to be there by 4:00 to do it. Ms. Olson stated that she is at the bank by 4:30 every day and she leaves the office at about 4:15 each day. Commissioner Blackburn requested that this issue be tabled until the next meeting in November and we will take a harder look at that. To do it on a daily basis would be...if our cash flow situation was a little stronger we probably have somewhere here where it could be locked up. Mr. Pötter stated that we used to do that. You all had a small vault and there was an issue with it. Mr. Spears stated that the issue with any vault is that if the building burns, your money is toast and they are not safe. Mr. Pötter stated we went to a digital safe and it messed up and it was decided that we will just start depositing every day and not carry it over. Commissioner Blackburn stated that we will address it at the next meeting and table it for today.

4. Legal Issues

- Executive Session to discuss litigation and potential litigation

Chairman Casey requested a motion to convene into Executive Session. Commissioner Friend made the motion. Commissioner Tackett seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-016

Chairman Casey requested a motion to reconvene from Executive Session. Commissioner Tackett made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-017

There were no actions needed to be taken coming out of executive session.

Mr. Pötter stated that just to let the Board know, and Mr. Spears saw this earlier, an article showing that lots of money is needed across the country for infrastructure improvement and you all are not the only ones. At least \$150M that other facilities are looking for due to aging infrastructure. He just wanted to put that out there.

COMMISSIONER COMMENTS

Chairman Casey inquired if there were any Commissioner comments. There were none.

ADJOURN MEETING

Chairman Casey requested a motion to adjourn the meeting. Commissioner Tackett made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Commissioner Casey	Aye
Commissioner Friend	Aye
Commissioner Blackburn	Aye
Commissioner Hurley	Absent
Commissioner Tackett	Aye

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 15-09-018

4. Reference Mountain Water's Petition for Modification generally. Provide a detailed list with the anticipated total cost of the case upon completion including fees for outside experts, legal counsel, consultants, and miscellaneous expenses. If more than one outside expert, legal counsel, or consultant is being utilized then provide separate anticipated costs for each.

WITNESS: SAWYERS

RESPONSE:

The District has not prepared an estimated cost of the case.

Case No. 2016-00062
MWD Responses to Attorney General's
Initial Data Request

5. Reference Mountain Water's Petition for Modification generally. Provide the maximum budget that the District has set for the completion of the Petition for Modification Case No. 2016-00062.

WITNESS: SAWYERS

RESPONSE:

The District did not prepare a budget for the case.

6. Reference Mountain Water's Petition for Modification to provide answers to the following:
- a. Provide all invoices from outside experts, legal counsel, or consultants specifically related to the Petition for Modification in Case No. 2016-00062. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate. Provide the invoices on an ongoing basis throughout the pendency of the case.
 - b. Provide a detailed list of the amounts that have been billed thus far by each outside expert, legal counsel, or consultant. If more than one outside expert, legal counsel, or consultant is being utilized then provide separate costs for each.
 - c. Provide the total amount that has been paid to each outside expert, legal counsel, or consultant to the present date. If more than one outside expert, legal counsel, or consultant is being used then provide separate total amounts for each.
 - d. Provide a detailed list and total amount spent on all other miscellaneous expense or cost related to the Petition for Modification in Case No. 2016-00062.

WITNESS: SAWYERS

RESPONSE:

- a. Not all time and expenses have been billed. Estimated time for the Stratton Law Firm prior to discovery requests is about \$500.
- b. See a.
- c. No payments have been made to date.
- d. There are no miscellaneous expenses billed for this case.

STRATTON LAW FIRM, P.S.C.

111 Pike St., P.O. Box 1530
Pikeville, KY 41502
606-437-7800

Fax 606-437-7569

STATEMENT

Federal ID No. 31-1556382

PRIVILEGED & CONFIDENTIAL

Mountain Water District
P.O. Box 3157
Pikeville, KY 41502

ATTN: ROY SAWYERS

Account No. HEM3005-221

Statement Date: 01/31/2016

Statement No. 4

RE: RFP Issues

Page No. 1

Payments received after 10th of month may not appear on this statement

Fees

			Hours
01/04/2016	DPS	Receipt and review of email from Jack re: letter to PSC	0.25
01/05/2016	DPS	Call from Roy re: meeting with PSC	0.25
	DPS	E-mail received from Jack; Two reply emails re: meeting with PSC; Call to Roy	0.50
	DPS	E-mail received from Jack setting meeting; Email to group	0.25
	DPS	Call from Jack; Call to Roy; Memo to Board	0.50
	DPS	Two emails from Jack; update on resolution; Reply email	0.25
01/06/2016	DPS	Receipt and review copy of PSC Order from Roy	0.25
	DPS	Meet with Mike	0.25
01/07/2016	DPS	Call to Roy; Email re: prepare meeting in preparation for PSC meeting	0.50
	DPS	Receipt and review of email from Jack H.; Call from Roy	0.25
	DPS	1st draft letter to Angela Good re: meeting with PSC	0.50
	DPS	Receipt and review of purposed stipulation of facts and assignments from Jack; Call to Roy	0.25
	DPS	Call from Roy; Email to Jack	0.25
	DPS	Second draft of letter to A. Goad; Research file for dates of Order; Email to Jack	0.50
01/08/2016	DPS	Two emails received from Jack; Email to Roy re: letter to Attorney General's office	0.25

To ensure proper credit, please include account number and statement date on remittance checks. Thank you.

		Hours
	DPS Revise letter to Attorney General's office; Send letter	0.25
	DPS Receipt and review email from A. Gred	0.25
01/11/2016	DPS Call from Roy & Mike re: PSC meeting	0.25
	DPS Review file for documents for PSC presentation	0.25
	DPS E-mail sent to Jack; Receipt and review of Reply; Reply email	0.25
01/12/2016	DPS Receipt and review of financial analysis from Mike	0.25
	DPS 1st draft memo to outline agreement to PSC at status conference	0.50
	DPS Send draft memo for PSC meeting	0.25
	DPS Prepared for conference call; Revise memo of our proposed presentation	0.50
	DPS E-mail received from Jack re: settlement completed	0.25
	DPS Conference call to prepare for PSC hearing	0.50
	DPS Second draft of presentation to PSC	0.50
1/2016	DPS Revise presentation to PSC	0.50
	DPS Receipt and review of final Order (for approval) from Jack; Email to Jack; Email to Roy	0.25
	DPS E-mail sent to group going to meet with PSC	0.25
01/14/2016	DPS Travel to and from Frankfort; Attend meeting with PSC	7.50
	DPS Call to Eddie Hurley	0.25
01/15/2016	DPS Call from Roy re: PSC meeting	0.25
01/18/2016	DPS Call from Jack re: new case	0.25
	DPS Receipt and review of email from Jack H.	0.25
	DPS 1st draft memo to board	0.50
	DPS Second draft of letter and memo to board	0.50
01/19/2016	DPS Call to Mike re: presentation	0.25
	DPS Receipt and review of email from Jack; Draft letter to Brad	0.50
01/20/2016	DPS E-mail received from Jack re: Petition; Email to Tammy re: minutes	0.25
1/2016	DPS Call from Jack re: revised Petition	0.25

			Hours	
01/25/2016	DPS	Receipt and review correspondence (reservation of rights) from Selective Insurance concerning the PSC claim against MWD and the Commissioners with regard to the UMG loan	0.25	
01/27/2016	DPS	Call from Jack re: minutes	0.25	
01/28/2016	DPS	Conference call to Roy & Jack	0.25	
01/29/2016	DPS	Receipt and review of emails from Jack and Angela Good re: Filing Petition; Receipt and review of resolution	0.25	
	DPS	Receipt and review of resolution from Carrie For Current Services Rendered	0.25 <u>22.00</u>	<u>3,190.00</u>

Expenses

01/14/2016		Paid to Dan Stratton, reimbursement of mileage, travel to Frankfort, KY to attend PSC meeting		<u>234.44</u>
		Total Expenses		234.44
		Previous Balance		\$3,262.50
		Total Current Work		3,424.44

Payments

02/03/2016		Payment - THANK YOU		-3,262.50
		Balance Due		<u>\$3,424.44</u>

		Billing History			
Fees	Expenses	Advances	Finance Charge	Payments	
12,180.00	234.44	0.00	0.00	8,990.00	

**MAKE CHECK PAYABLE TO STRATTON LAW FIRM, PSC
 PAYMENT DUE UPON RECEIPT
 NOW ACCEPTING MASTERCARD, VISA AND DISCOVER
 THANK YOU**

7. Reference Mountain Water's Petition for Modification generally. Provide all of the Board of Commissioner's meeting minutes that specifically discuss the expenses and approval of the expenses that are associated with the Petition for Modification that Mountain Water will incur.

WITNESS: SAWYERS

RESPONSE:

There are no specific discussions of expenses associated with the case in the minutes. Minutes related to the filing of the application are provided in Response 3.

8. Reference Mountain Water's Application for Rehearing in Case No. 2014-00342 ("Application for Rehearing"). Provide the total dollar amount that Mountain Water spent on the Application for Rehearing including all costs and expenses.

WITNESS: SAWYERS

RESPONSE: See 9.

9. Reference Mountain Water's Application for Rehearing to provide answers to the following:

- a. Provide all invoices from outside experts, legal counsel, and consultants, specifically related to the Application for Rehearing in the prior Case No. 2014-00342. The invoices should contain detailed descriptions of the services, the amount of time billed for each service, and the hourly billing rate.
- b. Provide a detailed list of the amounts that were billed by each outside expert, legal counsel, or consultant. If more than one outside expert, legal counsel, or consultant was used then provide separate costs for each.
- c. Provide the total amount paid to each outside expert, legal counsel, or consultant. If more than one outside expert, legal counsel, or consultant was used then provide separate total amounts for each.
- d. Provide a detailed list and total amount spent on all other miscellaneous expenses or costs related to the Application for Rehearing in Case No. 2014-00342.

WITNESS: SAWYERS

RESPONSE:

- a. Attached
- b. See a.
- c. Payments have been made in the amounts billed to date.
- d. There are no miscellaneous expenses billed for this case.

STATEMENT OF ACCOUNT

A.G.P

John N. Hughes, PSC
Attorney at Law
124 West Todd St.
Frankfort, KY 40601

Invoice to:
Mountain Water District
% Dan Stratton
Stratton Law Office
111 Pike St.
Box 1530
Pikeville, KY 41502

Date of Invoice: November 1, 2015

Date	Reference	Time (Hrs)
10/21	Draft rehearing petition	1.75
10/26	Tele. DS re: rehearing	.16
10/28	File rehearing petition w/PSC	.33
Sub total		2.24 hr. @\$350.00 = \$784.00
Expenses		0
Previous balance		\$
Total Due		\$

Case 2014-00342
Rehearing billing

2.24 hrs.
@ \$350.00 =
\$ 784.00

10. Reference Mountain Water's Petition for Modification generally. Explain in detail the responsibility that was given to the Committee to conduct a search for a consultant, and the purpose of the Committee as well.

WITNESS: SAWYERS

RESPONSE: The Committee was to comply with the PSC's Order to get an independent consultant with no prior ties to MWD or UMG.

The purpose of the committee was to facilitate the detailed work for the board.

Case No. 2016-00062
MWD Responses to Attorney General's
Initial Data Request

11. Reference Mountain Water's Petition for Modification generally. Provide the following information for the individuals that formed the District's Committee to conduct a search for an independent consultant:
 - a. Name,
 - b. Job Title and Description,
 - c. Field of Expertise,
 - d. Employer,
 - e. The process and rationale that Mountain Water utilized to choose each person to sit on the committee, and Any association with Mountain Water District or Utility Management Group ("UMG")

WITNESS: SAWYERS

RESPONSE:

The members of the Committee were:

1. Mike Blackburn, MWD Board Chairman. He is the Director of Land Management for Alpha Natural Resources, and Vice President of Lauren Land Company. He has been a manager in the coal industry for 22 years. He is also a director for Grey Hawk Insurance Company, and President and Director of the Pike County Golf Course Management Corporation. He was added so that there would be Board representation on the Committee.
2. Kelsey Friend, III, MWD Board Treasurer. He is a mechanical technician for the Pike County Board of Education, He was added so that there would be Board representation on the Committee.
3. Roy Sawyers, MWD Administrator. He oversees operations and is the liaison between the Board and UMG. He has 12 years of water and wastewater experience as an inspector and water treatment plant operator. He has been the District Administrator for five (5) years. As Administrator, he oversees UMG's operations for the Board. He was put on the Committee to help execute and oversee the process.
4. Daniel P. Stratton, Esq., Stratton Law Firm, P.S.C., represents the MWD, and has represented MWD for many years. He has experience in development of RFPs on behalf of the District, and has extensive banking and business experience, which is why he was added to the Committee.
5. Michael Spears, CPA, Michael R. Spears, CPA, PSC. He has years of experience in representing water districts, large businesses, and issuing RFPs, which was why he was made a member of the Committee.

12. Reference Mountain Water's Petition for Modification generally. Provide a detailed list of every independent consultant firm(s) that the Committee recommended and the reasoning behind each recommendation.

WITNESS: SAWYERS

RESPONSE:

See response 4 to PSC first data request.

13. Reference Mountain Water's Petition for Modification generally. Provide all meeting minutes where the Mountain Water Board of Commissioner's discussed obtaining an independent consultant, forming a committee to choose an independent consultant, the appointment of individuals to the committee, etc.

WITNESS: SAWYERS

RESPONSE:

See Response 3.

Case No. 2016-00062
MWD Responses to Attorney General's
Initial Data Request

14. Reference Mountain Water's Petition for Modification generally. Provide all meeting minutes from the Committee responsible for conducting a search for an independent consultant.

WITNESS:

RESPONSE:

See response 2 of the PSC's First Data Request

15. Reference Mountain Water's Petition for Modification generally. The Public Service Commission ("Commission") denied Mountain Water's Application for Rehearing on the independent consultant and request for proposals ("RFP") issue on November 17, 2015, yet the District did not send out an RFP for an independent consultant until three weeks later. Provide a detailed narrative that explains Mountain Water's delay in sending out an RFP for an independent consultant.

WITNESS: SAWYERS

RESPONSE:

The order denying MWD's application for hearing was received on or about the 17th day of November, 2015. The Board's next meeting was on November 25th, and no action could be taken until a decision was made as to whether or not to appeal that order, or to try to meet the deadline. The Thanksgiving holiday also intervened.

16. Reference Mountain Water's Petition for Modification generally. Provide a detailed list of who the District is referring to as "MWD's engineers." Provide the following information regarding MWD's Engineers:

- a. Name,
- b. Job Title and Description,
- c. Field of Expertise,
- d. Employer,
- e. The process and rationale that Mountain Water utilized to choose each engineer to provide the recommendation,
- f. Any association with Mountain Water District or UMG, and
- g. A list of every independent consultant firm(s) that each individual engineer recommended and why the recommendation was made.
- h. Any contract between Mountain Water District and "MWD's Engineers" or the employer of "MWD's Engineers."

WITNESS: SAWYERS

RESPONSE:

- a. See response 4 to PSC first data request.
- b, c, d. See web sites for detailed information about the firms; hkbell.com; www.environmental-design.com; www.vaughnmelton.com; www.summit-engr.com
- e. The firms are experienced in water system operations and management. They have broad experience in water utility matters and in the development of bidding qualifications and RFP procedures.
- f. All of the firms provide engineering services for MWD. MWD is unaware of any association of the firms with UMG.
- g. See response 6 to PSC first data request.
- h. Engineer contracts are project specific and are based on the applicable funding agency forms. There are no general representation contracts.

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17. Reference Mountain Water's Petition for Modification generally. Provide all meeting minutes where the Board of Commissioners discussed who to contact for recommendations on independent consultant firms.

WITNESS: SAWYERS

RESPONSE:

See response 2 PSC first data request.

18. Reference Mountain Water's Petition for Modification generally. Explain whether the Committee formed to conduct a search for a consultant, the "MWD's engineers", or a hybrid of the two actually provided the District's Board of Commissioners with the recommendations for independent consultant firms. Explain the answer in full detail.

WITNESS: SAWYERS

RESPONSE:

The MWD's local engineers provided the Committee with their list of recommendations. All of those recommendations were solicited for a proposal, along with The Prime Group, who was recommended based on our referral to Jack Hughes, Esq. Local engineers were not a part of the MWD Board's Committee.

19. Reference Mountain Water's Petition for Modification generally. Provide a complete and full list of all of the recommendations for independent consultants that the District received, and explain the process that Mountain Water utilized when selecting the six out of state independent consultant firms.

WITNESS: SAWYERS

RESPONSE:

See response 4 PSC first data request. MWD contacted all of the firms recommended.

20. Reference Mountain Water's Petition for Modification generally. Provide a detailed explanation as to why the District chose to send all six RFPs to out of state independent consultant firms on December 8, 2015, instead of issuing RFPs within the state of Kentucky.

WITNESS: SAWYERS

RESPONSE:

The PSC's order in Case No. 204-00342 directed MWD to select a firm that had no present or past association with the district, current or former members of the board, UMG or UMG's owners. Because of the broad prohibition of contacts in the order, the scope of UMG's operations and the potential number of conflicts that may exist among former board members, the district looked to only out of state firms to attempt to avoid violating the commission's limitation on the consultant.

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21. Reference Mountain Water's Petition for Modification generally. Provide copies of each individual RFP, correspondences, documents, or communications that the District sent to the six independent consultant firms on December 8, 2015.

WITNESS: SAWYERS

RESPONSE:

See response 6 to PSC's first data request.

22. Reference Mountain Water's Petition for Modification generally. Provide the name of the person or persons that drafted the RFP, and whether approval from the Board of Commissioners was obtained before the issuance of the same.

WITNESS: SAWYERS

RESPONSE:

Daniel Stratton drafted the letter sent to the potential bidders, which was approved by the board.

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23. Reference Mountain Water's Petition for Modification generally. Provide each individual response to the RFP, and all communications and documents that the District received from the six independent consultant firms.

WITNESS: SAWYERS

RESPONSE:

See Response 6 to PSC first data request,

24. Reference Mountain Water's Petition for Modification generally. Provide a detailed explanation as to why Mountain Water chose to send an RFP to The Prime Group, LLC, a Kentucky based independent consultant firm, exactly one week after it issued six RFPs to out of state consulting firms.

WITNESS: SAWYERS

RESPONSE:

The name of that firm was received by MWD after the names of other firms had been provided. MWD did not see any harm in adding one name to the list.

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25. Reference Mountain Water's Petition for Modification generally. Provide copies of the RFP, correspondences, documents, and communications that the District sent to The Prime Group, LLC.

WITNESS: SAWYERS

RESPONSE:

See response 6 to PSC First Data Request.

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Initial Data Request

26. Reference Mountain Water's Petition for Modification generally. Provide the name of the person or persons that drafted the RFP to The Prime Group, LLC., and whether approval from the Board of Commissioners was obtained before the issuance of the same.

WITNESS: SAWYERS

RESPONSE:

See response 5 to PSC First Data Request

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27. Reference Mountain Water's Petition for Modification generally. Provide the response to the RFP and all documents and communications that the District received from The Prime Group, LLC.

WITNESS: SAWYERS

RESPONSE:

See response 6 to PSC's First Data Request

28. Reference Mountain Water's Petition for Modification generally. Provide the name of the person or persons that recommended The Prime Group, LLC as an independent consultant firm.

WITNESS: SAWYERS

RESPONSE:

See response 5 to the PSC's First Data Request.

29. Reference Mountain Water's Petition for Modification generally. Provide a detailed explanation as to why the District chose to send an RFP to only one Kentucky based independent consultant firm. Include in the explanation Mountain Water's efforts to find independent consulting firms in Kentucky that did not have a past history with the District or UMG.

WITNESS: SAWYERS

RESPONSE:

See response 20. Because of the limited time to comply with the PSC's order, it was determined that a search of non-Kentucky firms would be more efficient and more likely to avoid any conflict with the PSC's order.

30. Reference Mountain Water's Petition for Modification generally. Did the District ever contact local resources such as the Kentucky Association of Counties or Kentucky Rural Water Association to request assistance with recommendations for an independent consulting firm?

WITNESS: SAWYERS

RESPONSE:

Yes, counsel for the district contacted representatives of each agency.

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31. Reference Mountain Water's Petition for Modification generally. Provide copies of the termination notice, and all other correspondences, documents, and communications concerning the termination notice that the District issued to UMG. Additionally, provide copies of all UMG responses, documents, and communications concerning the termination notice.

WITNESS: SAWYERS

RESPONSE:

See response 7 to PSC's First Data request

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32. Reference Mountain Water's Petition for Modification generally. Provide copies of all communications, documents, and correspondences that exist between the District and UMG since October 9, 2015, which is the date of the Commission's final order in Case No. 2014-00342, to the present.

WITNESS: SAWYERS

RESPONSE:

See response 7 to PSC's First Data Request

33. Reference Mountain Water's Petition for Modification generally. Provide all relevant and supporting worksheets for the financial analysis performed, that compared UMG contract costs with the costs to run Mountain Water independently, in electronic format with data including formulae in all cells and rows intact and fully accessible.

WITNESS: SPEARS

RESPONSE:

See responses 1 and 2. Attached.

CASE: Mountain Water District
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RE: Attorney General Initial Request

Q 33

Reference Mountain Water's Petition for Modification generally. Provide all relevant and supporting worksheets for the financial analysis performed, that compared UMG contract costs with the costs to run Mountain Water independently, in electronic format with data including formulae in all cells and rows intact and fully accessible.

WITNESS: Michael Spears

Response:

Attached you will find the financial analysis and work papers (also in Excel format on the attached CD) used to develop the analysis used in the petition. The list of assumptions is attached to the analysis and is very straight forward and is tied by footnote to the column "MWD Additional". Also attached is the MWD Financial Statement for UMG which was submitted to the PSC in the "PSC Data Request Number 3, Item 2b" for rate case 2014-00342 by UMG. This was their financial statement as it pertained to the MWD project and was submitted under oath.

UMG's financial statement was the starting point for my analysis. I used all of the "direct cost" from the UMG provided financial since they submitted these under oath. The items will follow line item for line item with my analysis for Payroll and Administrative Expenses, Direct Operations Expenses, Department R&M, and Hand Tools. These items are listed under the Column "UMG Direct Expenses" on my analysis. It is reasonable to expect those direct costs to remain the same in comparing the District's cost to operate independently.

In the previous case the Attorney General and PSC Staff, felt as though the analysis was flawed because we did not add back to the savings the line items "Corporate Overhead" and "Corporate Fee". If you will follow the analysis, neither of those accounts are included in UMG's Direct Expenses. On Item 2b of the PSC Data Request Number 3 those two categories are included in "Corporate and Other Expenses" and I did not use any figure from that category since it represents expenses that are only applicable to UMG and are of no consequence in this analysis for the District. The Attorney General in case 2014-00342 erroneously stated that I should have added those accounts for additional savings. If those expenses were not included in the analysis, there is no rationale for adding those to the savings for the district. I only used the direct operational expenses of UMG, as explained above, as that is all that MWD would be responsible for in analyzing our costs to operate internally versus contract management under the current UMG contract. Hopefully that will clarify that issue in the case.

The column "MWD Additional" represents the columns for our assumptions and is tied by footnote number to the Assumptions page attached.

Mountain Water District
Projected Cost Comparison of Assuming Operations of the District
June 30, 2014

	UMG Direct Expenses	MWD Additional	MWD Projected Cost
Payroll and Administrative Expenses			
Salary and Wages			
Regular Pay	\$ 1,609,414		\$ 1,609,414
Overtime	85,925		85,925
Paid leave	222,271		222,271
HR, Safety, AP Clerk	-	34,869 (1)	34,869
Total Salaries and Wages	\$ 1,917,610		\$ 1,952,479
Payroll Taxes			
Fica	141,479	2,667 (2)	144,146
Futa	6,993	144 (2)	7,137
Suta	17,837	324 (2)	18,161
Total Payroll Taxes	166,309		169,445
Health Insurance Expense	375,656	9,600 (3)	385,256
Life Insurance Expense	7,462	136 (4)	7,598
Long Term Disability	6,715	122 (5)	6,837
State Retirement System	54,522	310,201 (6)	364,723
Training Expense	5,505		5,505
Travel			
Lodging	4,931		4,931
Meals	5,245		5,245
Mileage	855		855
Total Travel	11,031		11,031
Vehicle Expenses			
Lease Expense	69,306	(69,305) (8)	-
Gasoline	174,962		174,962
Diesel	36,469		36,469
Miscellaneous	2,057		2,057
Total Vehicle Expense	282,794		213,488
Office Storage Rental	1,090		1,090
Office Equipment Lease	7,253		7,253
Office Supplies	31,930		31,930
Janitorial Expense	20,092		20,092
Postage	111,210		111,210
Professional Fees accounting	749		749
Professional Fees Other	47,941		47,941
Insurance			
General Liability	149,073		149,073
Auto	15,417		15,417
Workers Compensation	35,706		35,706
Total Insurance Expense	200,196		200,196
Telephone			
Office	11,736		11,736
Mobile	13,848		13,848
Other	1,910		1,910
Total Telephone	27,494		27,494
Security Service	459		459
	\$ 3,276,018	288,758	\$ 3,564,776
Direct Operations			
Uniforms	26,497		26,497
Safety Supplies	16,274		16,274
Laboratory Supplies	2,979		2,979

Laboratory Testing	37,171		37,171
Other Outside Services	2,400		2,400
Carbon	802		802
Disinfectants	54,950		54,950
Fluoride	17,909		17,909
Polymers	8,313		8,313
Dechlorination Agents	13,841		13,841
Nitrox	11,270		11,270
Other Chemicals	62,977		62,977
Purchased Water	1,114,659		1,114,659
Electricity	1,162,650		1,162,650
Sewage Fees	163,514		163,514
Solid Waste	6,805		6,805
	<u>2,703,011</u>		<u>2,703,011</u>
Repair and Maintenance			
Repair and Maintenance	758,439		758,439
Hand Tools	13,316		13,316
	<u>771,755</u>		<u>771,755</u>
Cash Expenditures for note payments.			
Note payments for existing vehicles currently paid by UMG.		69,306 (8)	69,306
Note payments for 5 additional vehicles		<u>30,000 (7)</u>	<u>30,000</u>
		99,306	<u>99,306</u>
	<u>\$ 6,750,784</u>	<u>388,064</u>	<u>\$ 7,138,848</u>
Amount Paid to UMG			<u>7,600,837</u>
Projected Saving by Operating the District Internally			<u>\$ 461,989</u>

Mountain Water District

Projected Cost Comparison of Assuming Operations of the District

Assumptions

June 30, 2014

Number

- 1 The district will require 1 additional employee included in UMG's Corporate Overhead Number. Propose the addition of an A/P Clerk at \$34,869.
- 2 The additional Fica is calculated at 7.65% of the Salary, FUTA at .006 of \$8,00 per Employee and SUTA at prorata to UMG's cost related to total payroll.
- 3 Cost estimated at \$800 per new employee multiplied by 12 months.
- 4 Pro rata UMG's number to their total payroll, adjusted for the 1 new employees.
- 5 Pro rata UMG's number to their total payroll, adjusted for the 1 new employees.
- 6 Total payroll of \$1,952,479 multiplied by the current KERS Retirement percentage of 18.68% less the UMG costs of \$54,522.
- 7 UMG currently uses 7 trucks of theirs on our project, we will only replace 5 of those. Estimated at \$500 per month by the five new trucks.
- 8 UMG pays for notes that are in MWD's name for vehicles used on our project. We would not have this expense without the contract with UMG. We would however have to make the payments on those notes.

MWD Financial Statement
For 12 Periods from 7/1/2013 to 6/30/2014
Consolidated All Departments

	6 Periods End 6/30/2014	12 Periods End 12/31/2013	6 Periods End 6/30/2013	12 Periods From 7/1/2013 To 6/30/2014
Revenue				
O&M Revenue	3,507,271	6,893,185	3,372,784	7,027,672
Miscellaneous Revenue	1,253	6,453	3,940	3,766
Total Revenue	3,508,524	6,899,638	3,376,724	7,031,438

Expenses

Payroll and Administrative

S&W: Regular MWD Adm	791,337	1,612,676	794,599	1,609,414
S&W: Overtime MWD Adm	44,129	78,280	36,484	85,925
S&W: Paid Leave MWD Adm	93,724	225,124	96,577	222,271
FICA Expense	68,436	140,973	67,930	141,479
FUTA Expense	1,760	6,948	1,715	6,993
SUI Expense	14,074	17,076	13,313	17,837
Health Ins Expense	179,561	400,406	204,311	375,556
Life Insurance expense	3,677	7,635	3,850	7,462
LTD Expense	3,273	6,902	3,460	6,715
401K Expense	27,570	53,524	26,572	54,522
Training Fees & Tuition	2,420	7,774	4,689	5,505
Travel: Lodging	1,755	5,581	2,405	4,931
Travel: Meals/Ent:	2,562	5,112	2,429	5,245
Travel: Mileage	122	1,398	665	855
Vehicle lease expense	30,192	79,555	40,441	69,306
Vehicle: Gasoline	89,342	173,186	87,566	174,962
Vehicle Diesel	20,644	33,967	18,142	36,469
Vehicle Loan Interest	0	235	235	0
Vehicle Misc	126	2,100	169	2,057
Office Rent	540	1,110	560	1,090
Office Equipment Lease	3,502	7,274	3,523	7,253
Office Supplies	13,232	37,149	18,451	31,930
Clean/Janitorial Expense	10,877	19,459	10,254	20,092
Postage Expense	43,798	117,301	49,889	111,210
Prof Fees Acct	0	749	0	749
Prof Fees Other	25,309	45,368	22,736	47,941
Ins: General Liability	83,248	123,535	57,710	149,073
Insurance: Auto	0	33,917	18,500	15,417
Insurance: W/C	11,811	43,614	19,719	35,706
Telephone: Offices	7,873	5,198	1,335	11,736
Telephone: Mobile	5,202	17,882	9,236	13,848
Telephone: Other	944	1,695	729	1,910
Security Services	219	5,576	5,336	459

Total Payroll and Admin.

	1,581,259	3,318,289	1,623,530	3,276,018
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Direct Operations

Uniforms	9,476	35,068	18,047	26,497
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MWD Financial Statement
 For 12 Periods from 7/1/2013 to 6/30/2014
 Consolidated All Departments



	6 Periods End 6/30/2014	12 Periods End 12/31/2013	6 Periods End 6/30/2013	12 Periods From 7/1/2013 To 6/30/2014
Safety Supplies	8,494	14,815	7,035	16,274
Laboratory Supplies	614	4,195	1,830	2,979
Laboratory Testing	19,553	32,334	14,716	37,171
Other Outside Services	2,400	996	996	2,400
Coagulants	0	11,499	11,499	0
Carbon	802	0	0	802
Disinfectants	33,043	46,565	24,658	54,950
Fluoride	9,096	8,813	0	17,909
Polymers	7,373	4,700	3,760	8,313
Dechlorination Agents	9,995	9,140	5,294	13,841
Nitronox	7,213	8,104	4,047	11,270
Other Chemicals	20,151	80,300	37,474	62,977
Purchased Water	558,401	1,090,181	533,923	1,114,659
Electric	574,837	1,051,856	464,043	1,162,650
Sewage Fees	83,680	162,967	83,133	163,514
Solid Waste	6,805	735	735	6,805
Capital Expenditure	0	867	867	0
Total Direct Operations	1,351,933	2,563,135	1,212,057	2,703,011



Corporate and Other Expenses

Corporate Overhead	214,307	490,765	237,145	467,927
Corporate Fee	150,000	300,000	150,000	300,000
Bank/Finance charges	14	94	82	26
Depreciation Expense	9,534	35,479	15,980	29,033
Amortization Expense	37,742	113,227	33,333	117,636
Dues/Subscriptions	693	2,185	990	1,888
Contributions	0	100	0	100
Public Relations	0	310	310	0
Physical Exams	606	1,581	479	1,708
Miscellaneous Expense	-158	6,025	2,592	3,275
Total Corporate and Other Expenses	412,738	949,766	440,911	921,593

Total Expenses	3,345,930	6,831,190	3,276,498	6,900,622
Net Income from Operations	162,594	68,448	100,226	130,816

Repair & Maintenance

R&M Revenue	-355,355	-658,717	-282,000	-732,072
Depart. R&M	356,765	658,717	257,043	758,439
Hand Tools	7,680	12,527	6,891	13,316
Total Repair & Maintenance	9,090	12,527	-18,066	39,683



Net Income (Loss)	153,504	55,921	118,292	91,133
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34. Reference Mountain Water's Petition for Modification generally. Submit all of the information that was provided to the District's Board of Commissioners that assisted with its decision to cancel the UMG contract.

WITNESS: SAWYERS

RESPONSE:

See responses 1, 8 and 9 to PSC's first data request

35. Reference Mountain Water's Petition for Modification and the District's Reply to the Attorney General's Objection. Mountain Water asserts that it does not need an independent consultant with financial and engineering expertise to assist with an RFP or a transition to in house governance because it has a full time district administrator and financial officer, as well as an independent CPA and local counsel.
- a. Provide the name, history, and experience of the district administrator that qualifies him/her to oversee a transition of this magnitude.
 - b. Provide the name, history, and experience of the financial officer that qualifies him/her to oversee a transition of this magnitude.
 - c. Provide the names of the CPA and local counsel, as well as a detailed narrative explaining what responsibilities and duties the CPA and local counsel will have in regards to the District transitioning to in house governance.

WITNESS: SAWYER

RESPONSE:

- a. See response 44 to AG Data Request 2, Case N. 2014-00342, incorporated by reference into this record by order of February 11, 2016.
- b. See response 45 to AG Data Request 2, Case N. 2014-00342, incorporated by reference into this record by order of February 11, 2016.
- c. See hearing response 9, Case N. 2014-00342, incorporated by reference into this record by order of February 11, 2016 for duties of Michael Spears, CPA. Mr. Spears and Mr. Daniel Stratton, local counsel, have many years of experience representing MWD.

See Hearing Response 9, Case N. 2014-00342, incorporated by reference into this record by Order of February 11, 2016, for duties of Michael Spears, CPA. Mr. Spears, has 29 years of public accounting experience and 22 years as a self-employed CPA. He has represented Southern Water District since 1993, and Mountain Water District since 1997. At Southern Water District, he has helped to oversee the transition from independent operations to contract operations, and back to independent operations. He also served on the transition team for MWD that oversaw the transition to UMG and back towards independent operations in 2009, prior to that decision being reversed by the Board.

Mr. Spears further has extensive business experience representing numerous corporate clients, which have sales up to eighty million dollars, and over one hundred fifty employees. He has also dealt with prior business transitions in the private sector.

Daniel P. Stratton, Esq., has represented MWD for fifteen years, and was on the transition team during which time MWD transitioned to UMG and was transition back from UMG to independent operations in 2009, before that decision was reversed. He also has sixteen years of banking experience, ten of which he was CEO of Citizen's Bank of Pikeville, where he oversaw the merger of that bank to Transfinancial Bank. He also helped to oversee the purchase and transition of First Guaranty Bank of Martin by Transfinancial. He has extensive business experience with both small and large corporations.

They will assist the district administrator and financial administrator with accounting and legal issues related to re-employment of MWD employees, creating accounting and financial records system, advising the commissioners, complying with PSC regulations and other matters related to the oversight of the transition.

Because the transition is expected to be a transfer of employees currently performing work for MWD from UMG to MWD, there will be little, if any, change in duties, routine or supervision of the employees. The field crews will continue to maintain the distribution system, read meters and perform their normal duties and the administrative personnel will continue to provide customer service, billing and other routine business activities of the district.

An expanded human resources office will need to be established to accommodate the transfer of payroll, benefits and insurance to MWD from UMG, which will may require a temporary HR specialist.

The transition should not require any "independent" supervision, because the employees will simply continue their current duties as employees of MWD, rather than employees of UMG. The experience of the current district administrator and financial officer should be more than adequate to oversee the transition. Mr. Spears can address any accounting issues related to the re-employment and Mr. Stratton can advise the board on any legal or regulatory issues that might arise. Given the limited scope of the transition and the broad experience of the existing MWD management group, an independent consultant is unnecessary.