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DAVID C. STRATTON
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HENRY D. STRATTON (1925-1989)
F. BYRD HOGG (1922-1999)
H. EDWARD MADDOX(1946-2003)

June 10, 2011

Mr. Jeff Derouen, Executive Director
Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

JUN 13 2011

**PUBLIC SERVICE
COMMISSION**

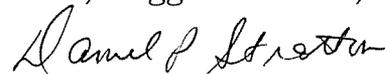
RE: Case No: 2011-00186

Dear Mr. Derouen:

This letter is to respond to your inquiry of May 31st concerning Mountain Water District's Wholesale Water Contract with Elkhorn City, Kentucky. The name of the witness who will be responsible for responding to questions related to the information provided is Grondall Potter, c/o UMG at Post Office Box 3157, Pikeville, Kentucky 41502.

The District's response to the five questions submitted in the appendix of your May 31st letter are addressed in Mr. Potter's attached affidavit. If you have any further questions concerning this response, please address them to Mr. Potter or me.

Sincerely,
Stratton, Hogg & Maddox, PSC



Daniel P. Stratton
email: dpstratton@setel.com

DPS/dsm

cc: Rhonda James
John Lester Collins
Kelsey Friend, III
Ancie Casey
Prentis Adkins
Gerald Wuetcher
Grondall Potter

AFFIDAVIT

The affiant, after being duly sworn, states as follows:

1) My name is Grondall Potter and I am the employed by Utility Management Group, LLC ("UMG") as the Project Manager for and on behalf of Mountain Water District (the "District").

2) UMG provides contract services for all of the District's operations.

3) The cost for the District to produce water per one thousand gallons from 2005 to 2011 is attached as Exhibit "A".

4) The minutes attached hereto as Exhibits "B", "C", "D", "E", "F", "G", "H", "I" and "J" of the Mountain Water District Board for the dates of May 6, 2010, September 29, 2010, October 27, 2010, November 24, 2010, December 29, 2010, January 26, 2011, February 23, 2011, March 30, 2011 and April 27, 2011, are true and accurate to the best of my knowledge and belief.

5) The District entered into a new contract with Elkhorn City because the original contract from 2005 to 2008 had expired, and the cost to produce water to sell to Elkhorn City had increased. See Exhibit "A".

6) The District's minutes concerning the Elkhorn City contract referenced above are attached hereto, with pertinent sections highlighted and tabbed for your convenience.

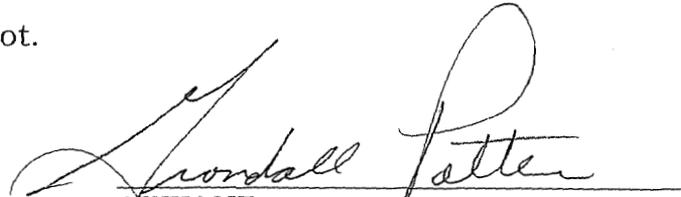
7) There were no formal studies done or used to develop the proposed contract rate, other than the increased cost that had occurred as represented in Exhibit "A". Increased transmission cost due to higher power bills was considered, but a separate calculation as to that cost was not made.

8) The Elkhorn City contract is only five cents higher than the Martin County contract, which is at \$2.40 per one thousand gallons, and substantially lower than the Mingo County, West Virginia contract, which is \$3.75 per one thousand gallons.

9) The Martin County wholesale rate was last changed in 2008 and is scheduled to be updated in October 2011. When it is renewed, it will be subject to a rate increase at that time.

10) The source of water that is sold to Elkhorn City is the District's Water Treatment Plant located between Pikeville and Elkhorn City. The water sold to Elkhorn City represents approximately nine percent of the plant's production.

Further, the Affiant saith not.


AFFIANT

COMMONWEALTH OF KENTUCKY)

COUNTY OF PIKE)

Acknowledged, subscribed and sworn to before me by GRONDALL POTTER on this the 10th day of June, 2011, in his capacity as Project Manager for Mountain Water District on behalf of Utility Management Group, it's Operations Manager.

My Commission Expires: July 25 2013


NOTARY PUBLIC

YEAR	MONTH	COST TO PRODUCE	
		WATER/1,000 GAL	ANNUAL AVERAGE
2005	JANUARY	\$0.68	
	FEBRUARY	\$0.71	
	MARCH	\$0.73	
	APRIL	\$0.75	
	MAY	\$0.68	
	JUNE	\$0.69	
	JULY	\$0.65	
	AUGUST	\$0.71	
	SEPTEMBER	\$0.66	
	OCTOBER	\$0.60	
	NOVEMBER	\$0.65	
	DECEMBER	\$0.84	\$0.70
2006	JANUARY	\$0.69	
	FEBRUARY	\$0.77	
	MARCH	\$0.69	
	APRIL	\$0.75	
	MAY	\$0.71	
	JUNE	\$0.88	
	JULY	\$0.74	
	AUGUST	\$0.75	
	SEPTEMBER	\$0.75	
	OCTOBER	\$0.82	
	NOVEMBER	\$0.78	
	DECEMBER	\$0.89	\$0.77
2007	JANUARY	\$0.84	
	FEBRUARY	\$0.83	
	MARCH	\$0.93	
	APRIL	\$0.79	
	MAY	\$0.70	
	JUNE	\$0.83	
	JULY	\$0.73	
	AUGUST	\$0.65	
	SEPTEMBER	\$0.73	
	OCTOBER	\$0.69	
	NOVEMBER	\$0.83	
	DECEMBER	\$0.76	\$0.78
2008	JANUARY	\$0.75	
	FEBRUARY	\$0.72	
	MARCH	\$0.75	
	APRIL	\$0.82	
	MAY	\$0.81	
	JUNE	\$0.71	
	JULY	\$0.69	
	AUGUST	\$0.69	
	SEPTEMBER	\$0.74	
	OCTOBER	\$0.83	
	NOVEMBER	\$0.80	
	DECEMBER	\$0.76	\$0.76

2009	JANUARY	\$0.89	
	FEBRUARY	\$0.92	
	MARCH	\$0.89	
	APRIL	\$0.85	
	MAY	\$0.95	
	JUNE	\$0.86	
	JULY	\$0.90	
	AUGUST	\$0.91	
	SEPTEMBER	\$0.79	
	OCTOBER	\$0.96	
	NOVEMBER	\$0.92	
	DECEMBER	\$0.84	\$0.89
2010	JANUARY	\$0.84	
	FEBRUARY	\$0.72	
	MARCH	\$0.76	
	APRIL	\$1.05	
	MAY	\$0.70	
	JUNE	\$0.73	
	JULY	\$0.80	
	AUGUST	\$0.70	
	SEPTEMBER	\$0.85	
	OCTOBER	\$0.71	
	NOVEMBER	\$0.75	
	DECEMBER	\$0.79	\$0.78
2011	JANUARY	\$0.77	
	FEBRUARY	\$0.82	
	MARCH	\$0.91	
	APRIL	\$0.80	
	MAY		
	JUNE		
	JULY		
	AUGUST		
	SEPTEMBER		
	OCTOBER		
	NOVEMBER		
	DECEMBER		\$0.83

AVERAGE COST/1,000 GALLONS FOR 2005-2008 WAS \$.75.

AVERAGE COST/1,000 GALLONS FOR 2009-PRESENT IS \$.83.

A DIFFERENCE OF \$.08

THIS REPRESENTS A 10.6% INCREASE IN THE AVERAGE COST TO PRODUCE WATER ALONE, NOT INCLUDING TRANSMISSION AND STORAGE COSTS.

MOUNTAIN WATER DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING
MAY 26, 2010
10:00 AM

ATTENDANCE

David Mosley, Resident, St Hwy. 194, Freeburn, Ky.
Jerry Fields, Resident, Merida Branch, Phelps, Ky.
Angela Fields, Representing Parents from St. Hwy 194 E, Phelps, Ky.
Danielle L. Justice, Attending with Angela Fields
Tim Campoy, Environmental Design Consultants, Inc.
Jody Hunt, Summit Engineering, Inc.
Doug Griffin, Kenvirons, Inc.
Greg Dotson, Inspector
David Stratton, Stratton, Hogg & Maddox
Mike Spears, Spears Management
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Financial/Office Manager, UMG
Carrie Hatfield, Project Accountant, UMG

CALL TO ORDER **AGENDA ITEM I**

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, May 26th, 2010 at 10:00 a.m.

All Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Kelsey Friend
Commissioner Ancie Casey
Commissioner Prentis Adkins

VISITORS **AGENDA ITEM II**

Chairperson James inquired if there were any visitors for today's meeting. The Chair recognized David Mosley of 44035 State Hwy. 194 E, Freeburn, Ky. Mr. Mosley stated that he needed hooked up to the sewer. He tried to about a year ago but had a stroke and didn't get to meet with the representatives. Commissioner Casey inquired if the sewer currently goes by his house. Mr. Mosley stated that it does and he is right on the state highway. Commissioner Casey stated that this location is right above the post office approximately 600' to 700' on the right and is right before Barn Hollow and the line does go by his house. Chairperson James inquired what our process is to get him hooked up on the line. Mrs. Olson stated that she isn't sure if where he is located was on the 1st phase or the 2nd phase of the Smith Fork project and we would have to send someone out to see where he is to see if a change order needs to be done to allow him to have service. Commissioner Casey stated that he knows Mr. Mosley and his wife and they are sickly people. If there is any way possible, we need to help them as this Board. He has been a good citizen for a long time in that community and the line is presently going by his home now. Chairperson James directed Mrs. Olson to have someone go out there and see where he is located. Mrs. Olson confirmed his physical address. Commissioner Casey stated that Mr. Mosley's nickname is "Spike". Chairperson James stated that they would see what they can do and if they can they will help them. Mrs. Olson inquired what the phone number is to reach him and he responded 456-0803. Mrs. Olson stated that someone would be out there by the end of the week and she would let him know on Friday.

The Chair recognized Jerry Fields of 360 Merida Branch and stated that he would like to request sewer be extended to Merida Branch where there is a need for about 4 or 5 services. Commissioner Collins inquired where Merida Branch was. Commissioner Casey stated that it is right above the old school about a mile. Chairperson James inquired from Mr. Griffin if this was the area they had talked about extending the sewer to. Mr. Griffin stated that there was a request for it and he has discussed it with Grondall Potter and Chairperson James. There is money and pumps available to extend it to this area. Commissioner Casey stated that if we have the needed funds they would like for the area to be served. Mr. Griffin stated that he has not yet been given permission from the Board to go any further with the project, but there is one question he needs to know the answer to. He stated that the Board had said to go to the last house on 194 but the last house does not have water service and we should not go passed where the District does not have water service. He wanted to be sure that the Board knew that is where the line ended and that house was not served. Commissioner Casey stated that that is where the engineer's discretion comes in but this area can have service extended. Chairperson James requested a motion to approve to add Merida Branch to the Smith Fork Sewer Project, Phase II. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting the motion was carried and passed.

Resolution 10-05-003

Chairperson James then recognized Angela Fields, who stated that she was in attendance on behalf of her parents Donna and Monroe Justice of 39329 Highway 194 East. She stated that she has been talking to Lois Smith for 4 or 5 months trying to get them hooked up to the public sewer. When it originally went through Phelps, her parents were in Lexington because her dad has cancer and they missed the sign ups. The septic is so bad that they can't use their showers and their toilets are backing up into the house. Her dad is not able to do anything about it. Commissioner Casey inquired who her father is. Ms. Fields stated that her father is Monroe Justice. Commissioner Casey inquired where this is located at. Ms. Fields stated that this is the brick house across the road from where Alex Fields car lot was on the curve. She stated that she just found out that they are sending her dad home on hospice next week and she is just trying to get something done about the sewer. Chairperson James inquired from Mrs. Olson what she was telling her about this. Mrs. Olson stated that her understanding from Lois Smith was that this area is very near the Beech Creek extension and could possibly be included in that area. Commissioner Casey stated that they would like these people accommodated and they are right on the main road. Mrs. Olson stated that Mr. Griffin would know the area better than she would and inquired from him if they were located near the Beech Creek area. Mr. Griffin stated that they are very near Beech Creek and where the contractors are working now on 194. He stated that Lois just needs to give Greg Dotson the address and they would set the service. Ms. Fields inquired if someone would need to be there when they come to install the service. Mr. Griffin stated that someone will need to be there to show the contractor where the sewer line comes out of the house. She provided cell phone numbers for herself and her family to get someone available. Chairperson James requested a motion to add Donna and Monroe Justice into the current sewer project at Phelps. Commissioner Adkins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting the motion was carried and passed.

Resolution 10-05-004

Mrs. Olson stated that Ms. Fields needed to be taken to Lois Smith for paperwork regarding the application for the sewer service. Carrie Hatfield took Ms. Fields from the conference room to meet with Lois Smith.

Chairperson James inquired if there were any further visitors. There were none.

APPROVAL OF MINUTES **AGENDA ITEM III**

Chairperson James requested a motion to approve the minutes of the regular meeting that was held on April 28th, 2010 as presented. Commissioner Friend made the motion to approve the minutes as presented. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-05-005

FINANCIAL REPORT – MIKE SPEARS, CPA **AGENDA ITEM IV**

Mike Spears distributed the financial report to each Board member. He stated that the checks for the bond payments for June have already been cut and we have the money to pay next month's bond payments and we are on pace to be able to pay them at the end of the year as well. Chairperson James responded that that is great news. Mrs. Olson passed out a list of the current bond payments to the Board members. Mr. Spears stated that we will have some extra funding at the end of June but we will need it in December to pay interest. The Board is continuing to deposit funds into the reserve accounts. Cash in bank for April was \$129,000 which is basically unrestricted funds. Accounts receivable was about \$741,000 and the plant, net of depreciation, \$97,237,521. Accounts payable is \$159,107 and our equity is almost \$83,000,000. Chairperson James inquired if the cash in bank amount was the balance after all transfers had been made. Mr. Spears confirmed this. Revenue for the month was \$747,237 and year to date revenue is \$3,025,746. Operating expenses were \$846,772 and included in that number is \$272,000 of depreciation for a net loss of \$148,204 which includes depreciation which is a non cash expense. Mr. Spears stated that the cash flow statement shows a decrease of \$192 which is the closest he has ever seen. He cautioned the Board that there is ongoing construction and advances for construction that effect that and between the advances for construction, which is grant monies, versus what went into construction in progress, and the capital expenditures, it would be a positive \$12,000 from that perspective. Overall the unrestricted funds decreased by \$192. Operating account balance was \$341,580 and was \$345,000 last month and is pretty close. As revenues increase he expects that number to climb again. The KIA and RD reserves were transferred and we are continuing to transfer the \$100,000 per month into the sinking fund for the bond payments. He stated that he received this week from KIA the extensions for the current KIA projects that were through June, 2010. They have sent us two (2) year extensions that will expire in June, 2012 and the Board needs to execute those and send them back to KIA. This needs to be a separate motion from the approval of the financials. Mrs. Olson stated that we also need to do a resolution to approve the KIA bond payment for June. Mr. Spears stated that one other issue pertaining to construction with the stimulus money is that we are having a back and forth discussion regarding the grinder pumps. They are questioning whether or not the contract we have for the grinder pumps is acceptable. Mr. Griffin stated that he thinks it is very acceptable and it was cleared by the Division of Water and CDBG at the time (not KIA) it was in the addendum for future purchases and states that each year there is allowed a cost of living increase, but after checking with E-One over time they

were happy with the price we had until 2007 and decided to adjust the cost to the current rate of \$1,400 which has been used for all sewer projects since then. The big argument is that we have used this contract in good faith for all the estimates for projects, and if we have to do something different, it could jeopardize all of those. Chairperson James stated that we need to have the Board's attorney look into this. Mr. Stratton stated that he would look and see if they had a copy of the addendum in their information. Mr. Griffin stated that if a copy was made of everything he provided, then Mr. Stratton has it. Mr. Stratton stated that he would check on that. Mr. Spears stated that we have used these grinder stations on all of our projects. Mr. Griffin stated that it has saved the District about \$2,250,000 using it. He has checked with a contractor recently who has an active contract just bid where he had to furnish the grinder pumps and his price was \$1,850 each where we have the contract for \$1,400 each. Mr. Spears stated that Division of Water will accept whatever KIA does because they are in charge of this stimulus money. We just need someone to look at it and figure it out. Mr. Griffin inquired who was reviewing this matter at KIA. Mr. Spears stated that Kasi White would not give an answer and had to check with legal. He stated that he explained to her why we want one type of grinder pump so we don't have to keep fittings and replacement pumps of all different brands. He stated that Kasi White told him that if it is provided in the original bid documents where it was a period of time with the option to renew it later, then we are okay. Mr. Griffin stated that a change order was signed in 2007 by the Board allowing the cost to go up to \$1,400 per unit. Mr. Spears stated that if it is in the original contract, their legal people thought we would be okay. Chairperson James stated that we need to get that and submit it. Mr. Spears stated that he thinks we need to go one step farther than that today. We need to agree to submit the paperwork on that and if they don't accept it, the Board needs to authorize Jody Hunt, Summit Engineering, to advertise it for bid. Mr. Hunt stated that it has delayed the contractor because he can't install those. Mr. Spears stated the Board also needs to consider extending the contractor's time on this project because of this issue with the grinders. Chairperson James stated that they can address that under the project heading later in the meeting. Mr. Spears stated that spending this ARRA funding has been a nightmare. KIA has called and asked the federal level questions and they just say to spend the money and whoever the federal auditors are above them will take it into consideration that there aren't a lot of guidelines out there. Kasi White told them that that doesn't give her much assurance when she is handing out all this federal money that she has to hope that some auditor somewhere takes that into account. Mr. Griffin stated that he has had the most trouble with the "made in America" provision. He shut two jobs down a couple of weeks ago because he found fittings that were made in China, India and Israel and the suppliers had furnished the made in America certification. So he had to shut them down until they got them switched out. Chairperson James requested a motion to accept the financial report as presented. Commissioner Collins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-05-006

Chairperson James requested a motion to authorize her to execute the KIA project extensions that extend the projects until 2012. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-05-007

Chairperson James requested a motion to approve the June, 2010 bond payment. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-05-008

Chairperson James requested a motion to direct the District's legal counsel to clarify the contract for the e-one grinder pumps and submit that to KIA for the Shelby Valley Sewer Project, Phase III, Section 2 and in addition, if it is not accepted by KIA, to allow Jody Hunt to bid 36 pumps out for this project only, plus additional hook ups, if necessary, for a specified price. Commissioner Friend made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-05-009

PAYMENT OF BILLS

AGENDA ITEM V

Ms. Olson distributed copies of the AP report and the Cash in Bank report to the Commissioners. After review, Chairperson James requested a motion to approve the payment of bills as presented. Commissioner Collins made the motion to approve the payment of bills as presented. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-010

CUSTOMER ADJUSTMENTS

AGENDA ITEM VI

After review of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of seven thousand, seven hundred and forty-six dollars and twenty-seven cents (\$7,746.27) as presented. Commissioner Friend made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-011

CONSTRUCTION REPORT AGENDA ITEM VII

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

1. Shelby Valley Sewer Project, Phase III, Section 2:

Mr. Hunt stated that we have already touched on some of the issues during the meeting. The contractor is working on installing the main line pipe on the contract since he can't set the residential grinders yet. The contractor is requesting a 90 day extension on the project because it takes a while to get the grinders in and takes a while to set them and they are 30 days already behind because of the grinder issue. CSX railroad is subbing out their work to other inspectors who are very rigid about their schedule of when they can be on site and that is another reason. Pipe delivery has also been an issue in the beginning. The contractor for this project is H2O Construction. Commissioner Casey made a motion to grant H2O Construction a 90 day extension for the Shelby Valley Sewer Project, Phase III, Section 2 due to the delays with the grinder pumps. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-012

2. Long Fork of Virgie Sewer Project:

Mr. Hunt stated that this project is nearing completion. The majority of the residential grinders are in and the main line is complete. The hold up on this project is the delivery of the wet well and materials inside the wet well. The contractor has said that he thought all of his materials were in and was doing an inventory to make sure they are all there and is scheduled to install the wet well next week. There were also some easement issues on this project. He stated that H2O Construction is requesting a 30 day extension due to the delays. Commissioner Adkins inquired what the wet well was for. Mr. Hunt stated that the wet well is a part of the lift station and is basically a central gathering location where all of these pressure grinders pump down the line and into and it is an open pit. The sewage goes in the wet well and there is a pump inside that takes the pressure off the line and pumps it back up and lifts it over the mountain or a high elevation. We moved the lift station at the elementary school and there was a sequence of things that had to

get done before it could be moved. Commissioner Casey made the motion to grant H2O Construction a 30 day extension for the Long Fork of Virgie Sewer Project. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-013

3. Belfry/Pond Creek Sewer Project:

Mr. Hunt stated that he had nothing new to report on this project. He understands that legislature is in special session and hopefully some time next week we will know exactly how the funding stands with this project. There are still unresolved property issues as well. Chairperson James inquired where we stand on the bid hold with this project. Mr. Hunt stated that it is getting very close to running out and we probably need to ask for another extension on this project. The bid hold runs out on or about June 9th. Chairperson James directed Mr. Hunt to ask the contractor for another bid hold for this project. Mr. Hunt agreed to ask the contractor.

4. Hurricane Branch AML Water Supply Project (Ridgeline Rd):

Mr. Hunt stated that the ground breaking was held for the project and was a great event. Commissioner Adkins and Chairperson James were in attendance as well as several political officials and residents. The community is thrilled that this is coming and it was on the front page of the newspaper which is great for the District. He has spoken to AML who have given authorization to award the project and sign the contract documents and he has brought those today for execution and there will be a pre-construction conference on June 2nd at 10:30 am. The contractor for this project will be US Rentals and Construction who have been in bid hold until AML gave authorization to proceed with the project.

5. Sycamore of Lower Johns Creek Water Project:

Mr. Hunt stated that this project was discussed during the work session/special meeting this morning. The apparent low bidder was US Rentals and Construction and the Board voted to award the contract to them contingent upon the permitting. One other item on that project is an addendum on the project for engineering services. He stated that the previous Johns Creek project had additional funds and we utilized those funds to do engineering and design to do the Sycamore design only on the project and said if we got funding for the project, we would do an addendum to the engineering contract which served Dry Branch, Millers Creek and that whole big area down there, for bidding services, construction administration and inspection. He stated that the addendum adds the amount of \$38,695.42 and is in accordance with the RD rates. He stated that even though there was no addendum in place, they went ahead and bid the project because they knew it was in the best interest of the District to go ahead and proceed with it. Chairperson James inquired if anyone had any questions on that. She requested a motion to approve the addendum to the *engineering contract for the Johns Creek Project to add \$38,695.42 for bidding services, construction administration and inspection to the project for Summit Engineering, Inc.*

Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-014

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

1. WTP Raw Water Intake:

Update by Tim Campoy, EDC, Inc. Mr. Campoy stated that all reclamation for this project has been completed and was turned over to the District last month. Mrs. Olson stated that Mr. Potter had mentioned an issue with a small leak on one of the pumps. Mr. Campoy stated that he had mentioned to him when the river was up and they couldn't look at it then. Flannigan was letting out and it was not a good time to check it. He stated that he would make sure it is looked at. It was where the pumps seated back down when they made those changes to the bottom of the cage.

2. WTP Expansion/Upgrades:

Mr. Campoy stated that all that is left there is the electrical work that UMG is going to do and he hasn't been given any other information for that. Mrs. Olson stated that Randy Conley, Electrical Maintenance, is still waiting on parts and as soon as everything comes in they will install the electrical. Commissioner Casey inquired if that was at the main intake at the plant. Mr. Campoy stated that it is at the plant. There was a contract that was awarded to Howard Engineering about 2 years ago and it went through a couple of phases and all the construction was done except for the electrical and it was taken out of Howard's contract to be done by UMG. So there is a new high service pump and well on the back side of the plant and it does not currently have power to it or electrical controls. That was held out of the contract to be done in-house. Commissioner Casey inquired if they ever got the barge fixed on the river that had a floatation problem. Mr. Campoy stated that it was repaired and it has been functioning as it was designed to. The delay on this project has been caused by the payment issues with Howard Engineering and we had to see what was going to be left over to do the electrical when that was settled.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

- 1. Smith Fork of Phelps Sewer Project, Phase I Change Order 1:**
Mr. Griffin did not give an update on this portion of the project.

Smith Fork of Phelps Sewer Project, Phase II:

Mr. Griffin stated that as of Friday the contractor has three grinder pump installations to do to be caught up and those should be completed this week. They have five more with the Merida Branch addition that the Board approved earlier in the meeting. He stated that he sent Greg Dotson, Inspector, back over to the project site because Straeffer is coming to put the new pumps and electric panel in the Billy Dotson station. We had them do the installation because if the contractor installed them, Straeffer would have had to have come back at a later date and install them and we would not have any pumps going all the time. It worked out pretty good. He hopes to have the line contractor back this week. He began another couple of jobs while we were waiting for the pipe and he is trying to finish those up and get back to this job. There are a couple of stretches of Route 194 that don't have customers on them and he will probably let the contractor trench those sections instead of directional boring so they can go a little faster on those sections. Commissioner Casey inquired how far the water line goes up through there...if it goes by Jones' old station or the Chisholm place. Mr. Griffin stated that it goes by the Chisholm place but not Jones' old station. Mr. Griffin stated that this project is almost completed.

DRAWS:

Chairperson James requested a motion to approve the draws as submitted. Commissioner Collins made the motion. Commissioner Adkins seconded the motion.

SMITH FORK OF PHELPS SEWER PROJECT, PHASE II		
Contract 1	Coal Severance Funds	\$ 18,905.00
Contract 1	Coal Severance Funds	\$ 1,418.63
LMI PROJECT		
Contract 1	Coal Severance Funds	\$ 166.66
Contract 1	Coal Severance Funds	\$ 44.88
Contract 1	Coal Severance Funds	\$ 99.06
Contract 1	Coal Severance Funds	\$ 7,151.38
LONG FORK OF VIRGIE SEWER PROJECT		
Contract 1	Coal Severance Funds	\$ 77,380.65
Contract 1	Coal Severance Funds	\$ 3,591.58
Contract 1	Coal Severance Funds	\$ 11,308.00
TELEMETRY		
Contract 1	Coal Severance Funds	\$ 4,631.15
SHELBY VALLEY SEWER PROJECT, PHASE III, SECTION 2		
Contract 1	Stimulus Funds	\$ 124,688.70
Contract 1	Stimulus Funds	\$ 10,422.85

Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-015

MANAGER'S REPORT

AGENDA ITEM VIII

1. Monthly Operating Report:

In the absence of Mr. Potter and Mr. Taylor, Mrs. Olson presented the Manager's Report. She stated that the information regarding the number of taps and water sales is listed in the Board's summary for the Board's review. Water and sewer sales in April increased over March. She stated that she had complied with one open records request since the last Board meeting for James Mullins of Tackett Road of Dry Branch. He has a property issue that has to do with how the lines are run and Mr. Potter is aware of it and Mr. Mullins has requested information on the construction of that particular line extension that was provided as well as customer files that were redacted of any personal information such as social security numbers, phone numbers, bank numbers, etc. The District had a TOC violation for the first quarter of 2010 and we have to pull at least a level of 1 as an average for each 3 month period. During the first quarter of this year the quarterly average fell below a 1 and was at .98. This also happened during the last quarter of 2009 and has to do with the conditions of the river at the intake and we have to pull out so much organic material and if there is not much in the river it is hard for us to pull those averages. So UMG has added an additional sampling method to the TOC sampling schedule at additional expense to us, but it is an ultraviolet test that should pull some bigger results to help us reach the average we need per quarter. If this still continues we will have to bring in the Division of Water for jar testing at the river site and they may be able to waive that requirement for us altogether or at least set a different base standard of removal that the District can work within due to the conditions of the river. There are other areas in the state that don't have any problems pulling the needed average but we are having issues with that because of the conditions of the river that we can't control. We did have to send out a notification to everyone in that system which is Mountain Water #1. We sent out about 10,000 notices and we are getting calls on that. Mrs. Olson explained that TOC's have no health effects and that customers don't understand the mandatory language that the DOW requires to be in the notification and that they have to be assured that our water is not the cause of their ailments from runny noses to cancer. Commissioner Adkins stated that he was glad that she explained this issue because he had gotten calls as well. Mrs. Olson continued by explaining the three violation tiers with the DOW and that this was a tier 2 violation which requires notification to customers within 30 days of receiving the violation from the Division of Water. Mrs. Olson continued the Manager's Report by calling the Board's attention to a letter that was distributed to them from the Division of Water. She explained that in 2008 the DOW split the District into 3 separate systems, each with its own PWSID number. This meant our reporting and sampling requirements were changed and we had to submit the required reports and samples for each system. Mr. Potter went to Frankfort on April 8th, 2010 and had a meeting with Julie Roney at the Division of Water and demonstrated to them that the District is a contiguous system and that we have interconnections between the 3 systems where we have the potential for delivering water from one system to another. We generally do not operate that way but in an emergency we can. Ms. Roney agreed with Mr. Potter that it was beneficial to return us to one Mountain Water District system and we have received this letter that states that after July 1, 2010 we can return to operating under PWSID #0980575 which is the water plant area. This will allow us to return to submitting one Monthly Operating Report to the DOW and will decrease our sampling back to 50 per month which are spread across the District's service territory. We are

very happy about this and feel it will be very beneficial for us to go back to one system. Chairperson Casey requested a motion to approve the Manager's Report as presented. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-016

NEW BUSINESS

1. LMI Project -

Mrs. Olson stated that through April 30th we completed 35 LMI taps during the month of April. We have completed 107 so far with this phase of funding and can do about 180 total. We can do about 70-75 more. We have requested further funding for LMI taps in this state budget. It is a very popular program which helps people who could not otherwise afford the tap fee of \$675 but have access to the main line to be able to get the water service.

2. Pumper Truck Bid Award–

Mrs. Olson distributed a copy of the bid tabulation for the pumper truck and a copy of the bid specifications of what type of truck we were looking for. This vehicle will be purchased from old sewer project funds that were remaining. This truck is needed for the Big Creek area due to the septic systems that need maintenance and will eliminate the need to borrow or pay for equipment when we need to pump out our wastewater plants and lift stations. Chairperson James requested a motion authorizing to award the bid to the low bidder and only bidder, V & H Trucks in the amount of \$26,000. Commissioner Adkins made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-017

3. Big Creek Sewer Area Cost Analysis –

Mrs. Olson turned this item over to Kevin Lowe to elaborate on the cost analysis that was distributed to the Board members. Mr. Lowe stated that the Board had requested this to be done at the April Board meeting. The maintenance cost for the conventional septic systems as shown includes pumping them every 4 years and inspecting them semi-annually as well as the prorated

cost to replace the tank after 30 years. The replacement cost is based on the contract price for a septic system as \$7,700. For the aerator systems, the maintenance cost includes the cost to inspect and sample quarterly, replace the motor every 4 years and the prorated cost to replace the aerator system after 30 years. This information, life expectancy and cost, is based on information gathered from the Pike County Health Department and Busy Bee Septic Systems. He stated that the top section of the analysis shows the cost over 5 years to maintain and replace the septic systems and the aerators and then a cost for combining the two and spreading the cost across the board. For just the conventional systems that rate would be \$27.32 per month and for the aerators, it would be \$70.23 per month. If you did a combined rate for all 63 of those customers, the rate would be \$33.45 per month. At the bottom of the analysis, there is a 5 year tiered rate structure which would increase the rate each year for those customers. Chairperson James stated that she had spoken with Mr. Potter about this and they agreed after their discussion that the 5 year tier would not be a good idea. It would be better to go ahead and set the rate where it is going to be using the combined rate. Other sewer customers in the system are paying an average of \$33.25 per month which is very close to the combined rate of \$33.45. She stated that these customers say that they were told that they would only have to pay \$14 a month for the service and at this time they are not paying anything and haven't paid anything since October of 2009 because we suspended all payments until this issue could be resolved. The Public Service Commission has made a ruling in the last few days that says that they do not have jurisdiction over this area of service and it does not have to be included in the tariff. She suggested that the Board go with the \$33.45 combined rate which is really close to our average sewer rate and inquired as to when the Board felt it should start. It was decided that this would go into effect August 1st, 2010 and a letter would be drafted for the Chairperson's and legal counsel's review for the customers in the Big Creek area letting them know of this decision and the date that it will begin. Mrs. Olson stated that the Board should keep in mind that some of these customers do have water service. Mr. Lowe inquired that if the customer has a water meter, if they will be billed based on their water usage at our normal sewer rates. The Board answered affirmatively. Mrs. Olson stated that if they don't have a water meter then, they will pay the \$33.45 per month. Mrs. Olson stated that they will draft a letter for review before it is sent out. Chairperson James requested a motion to set the rate for the Big Creek Sewer project area at \$33.45 per month for customers who do not have a water meter and for customers who have a water meter, they will be billed based upon their water usage as all other customers in the District's system to be effective August 1, 2010. Commissioner Friend made motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-018

4. Francis Road -

Mrs. Olson stated that this issue came before the Board in November of 2009. It was an issue at Turkey Creek where there were several residents whose meter bases were down on the creek bank. There was no way they could get to them to maintain them or their lines. They were having leaks on their side and some of their lines were run through open drains. Commissioner Casey stated that there was a group that appeared at the meeting about that. Mrs. Olson stated that

they did attend the November meeting and at that time the Board said that they would relocate the meters but where we need to set them would be on someone else's property and they (the customers) would need to get the easements necessary to relocate the meters. It has taken them this long to return the easements to us and Mr. Potter asked that she bring to their attention that it will cost approximately \$5,000 to \$6,000. Commissioner Casey stated that if that is what we asked them to do and they did their part, now we need to do ours. The Board directed that the meters be relocated according to the resolution as agreed in November.

5. MWD/Elkhorn City Wholesale Rate Contract -

Mrs. Olson stated that the District sells water to the City of Elkhorn City and in the last few days she was going through some of the files looking at wholesale contracts that were all in one file and found the contract with Elkhorn City and discovered that it is up for renewal. What will need to be done, with the Board's approval, is to provide a copy of the contract to the Board's legal counsel for review to see if there are any changes or renegotiations that need to be made or just continue it for the next 5 or 10 years as is. The Board agreed for her to provide that to Mr. Stratton for discussion at the June meeting.

6. South Side Mall -

Mrs. Olson inquired if Mr. Stratton wanted to address this issue at this time. Mr. Stratton stated that this issue could be discussed during executive session since it was a legal issue.

7. Legal Issues –

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

Chairperson Rhonda James	Aye
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. 10-05-019

Chairperson James requested a motion to reconvene from executive session where legal issues were discussed. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-020

Chairperson James stated that she needed a motion to authorize Mike Spears, Spears Management, to send a letter to the state auditor's office to let them know that there have been some issues with our records, some have been missing and out of order when files were returned, and a letter needs to be sent letting them know that so that they will be aware that more care needs to be taken with our records. Also to let them know that the auditor's office needs to communicate more with Mr. Spears as the point of contact for the audit. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-05-021

Chairperson James requested a motion that if there is anything that the Secretary needs to sign for this meeting, that Prentis Adkins be appointed Acting Secretary and authorized to sign for the remainder of the meeting. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-05-022

Chairperson James requested a motion to allow David Taylor and Dan Stratton to enter into negotiations with the South Side Mall and bring a proposed resolution back to the Board for consideration for resolution of the issues relating to the breaking of the main water line and payment of same. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-05-023

Chairperson James requested a motion to authorize the payment of \$30,000 pursuant to the judgment in the Irvin and Hazel Smith case. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-05-024

Chairperson James requested a motion to settle the Daniels cases as presented pursuant to UMG's Representative, Grondall Potter, going out and making sure that the easement width of 10' is acceptable. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-05-025

Chairperson James requested a motion to authorize the Board to sign the letter as presented by legal counsel regarding counsel testifying with regards to the Will Brown case. Commissioner Adkins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-05-026

Chairperson James requested a motion to authorize Dan Stratton to get with Grondall Potter regarding the estimates for major repairs and once an estimate is decided upon, to authorize Mr. Stratton to send a letter to the Fiscal Court addressing this situation. Mrs. Olson inquired if this was estimates in addition to what was presented at last month's meeting. Chairperson James inquired if he already had the estimates gathered. Mrs. Olson stated that she presented three estimates to the Board at the April meeting. Chairperson James directed Mrs. Olson to provide copies of the estimates to Mr. Stratton so he can get a letter prepared for the Fiscal Court. Mr. David Stratton recommended that the Board give him the estimate that the Board wants to recommend, because if you give them three it becomes a question mark. He suggested the Board get a recommendation from Mr. Potter and provide that to Dan Stratton for the letter.

Commissioner Friend made the motion. Commissioner Adkins seconded the motion.
Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-05-027

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments. There were none.

ADJOURN MEETING

Chairperson James stated that if there were no further comments, she requested a motion be made to adjourn the meeting. Commissioner Friend made the motion. Commissioner Casey seconded the motion.
Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-05-028

MOUNTAIN WATER DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING
SEPTEMBER 29, 2010
10:00 AM

ATTENDANCE

Rebecca Marcum, 38 Marcum Road, Hatfield, Ky.
Phyllis Coe, 239 Lower Wolfpen Hollow, Pikeville, Ky.
Keith Thacker, 369 Lower Wolfpen Hollow, Pikeville, Ky.
Johnny Fields, 3542 N. Big Creek Road, Hatfield, Ky.
Russ Cassady, Appalachian News Express
Duane Boyles, Griffith, Delaney, Hillman & Company
Dan'l Hall, Vaughn & Melton Consulting Engineers
Bruce Coleman, BMM, Inc.
Jody Hunt, Summit Engineering, Inc.
Tim Campoy, Environmental Design Consultants, Inc.
Doug Griffin, Kenvirons, Inc.
Greg Dotson, Inspector
Dan Stratton, Stratton, Hogg & Maddox
Mike Spears, Spears Management
Bob Meyer, Controller, UMG
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Financial/Office Manager, UMG

CALL TO ORDER **AGENDA ITEM I**

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, September 29th, 2010 at 10:00 a.m.

All Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Kelsey Friend
Commissioner Ancie Casey
Commissioner Prentis Adkins

VISITORS **AGENDA ITEM II**

Chairperson James inquired if there were any visitors for today's meeting. The Chair recognized Rebecca Marcum. Ms. Marcum stated that she is in attendance at today's meeting because of the septic system at Big Creek. She stated that she has three (3) septic tanks on her property which is an heirship. There is a homeplace, a mobile home that she lives in and her nephew has a trailer there. A septic tank was installed for each residence. She stated that when they came around to put them in they told her it would be \$14.00 per month and they thought that was a fair amount. They don't have MWD water, they have a well so it is no expense for the water and the District got the grant for the tanks so she doesn't understand why the residents have to pay \$33.00 per month for each septic tank, even if no one is living in the homeplace. Chairperson James responded that there was a grant for this project to install the tanks, but there are maintenance costs for each unit. PRIDE asked that the District take these units over and maintain them. Mr. Potter stated that PRIDE was unsure that they would be maintained properly and wanted them under an entity to make sure that they would remain viable. Chairperson James continued

that through the District, we have to comply with the Public Service Commission and we have a tariff that governs what we can charge our water and sewer customers. We applied to them for this and they said that this area is outside of their jurisdiction because it is not a part a contiguous sewer system, but in order to be consistent throughout the District so that we are not giving someone else something that we can't give to another customer, the Board had the staff to analyze the future maintenance costs and look at all of that. She continued that she had heard her make a statement that someone had told her it would be \$14.00 and the Board has heard that but to be honest, this Board never made a decision on anything like that and were never presented with the monthly cost of the service nor voted on it. That rate was not set by Mountain Water District. That was just someone that was out there with some misinformation. Dan Stratton, Legal Counsel for the Board, stated that what was represented was a minimum bill of \$14.00 per month which is in the District's tariff. A minimum is the minimum a customer would pay if they used the minimum amount of water per month. If there is more water flowing through the system, then the bill would obviously go up. Ms. Marcum stated that she doesn't have any water flowing through the system, that she is on a well. Chairperson James stated therefore there is no way to know how much water is going into the system. Mr. Potter stated that the only way to calculate that for people that are on the sewer but do not have water, the Public Service Commission has said that we are to calculate the bill based on the District's residential system average usage. Mr. Marcum stated that her system is private, not public. Mr. Potter stated that since the District maintains the system and is a public entity, it is a public system. Ms. Marcum stated that she has a letter that she wrote to Frankfort and they responded back to her saying that KRS does not require these fees to be set forth in the Mountain Water District's rate system and there are several things in there that they underlined for her. Chairperson James stated that the District did inquire from the PSC in Frankfort asking how to approach this because they didn't have anything else like this in our system, but in order to be consistent with our tariff and fair to all customers, this is what the District has set forth as the cost for service. Ms. Marcum stated that she got a notice that says that if the District has to come out and investigate a problem, it will cost \$75.00. Chairperson James stated those charges are set forth in the tariff and is the way that the water District operates. Ms. Marcum stated that they would have been better if they would have explained all that to them because they would have stayed with their own septic system. It was installed in 1977 and they had used it since then. Mr. Stratton responded that it was his understanding that in most of the locations that the systems were replaced, those old systems were either gone, dysfunctional or would not be approved for use by the health department. The whole purpose of the new systems being put in was to address a health issue because of these other systems failure. Ms. Marcum inquired is she still has to pay \$33.00 a month for the house that is sitting there empty. Chairperson James responded that it is the minimum that is set forth as the charge for maintaining the system. Mr. Stratton stated that this is an awkward situation and everyone here is caught in a bit of a bind. The Board is under the regulations of their tariff to address issue and this Board is constrained to some extent by the rules of the state. He believes the Board can go back and revisit the issue and see if there is anything that can be done differently but the Board stepped in to do something that was needed in the area. . . . Ms. Marcum stated that she understands that and they needed sewer in the area very badly, but when they signed the paper it was supposed to be \$14.00 per month. Chairperson James inquired if we had those papers that were signed. Mr. Kevin Lowe, Financial/Office Manager, stated that it should be a user agreement and he doesn't believe it says \$14.00 per month but that they will abide by the bylaws of the District. Mr. Potter stated that what we can do right now is to have the sewer personnel go out and plug that system for the house that is empty and it would be like a request to turn off the service. If someone moves in, notify the District and we will go from there. Ms. Marcum inquired what would have to be paid to have it turned on. Mr. Potter stated that it would be the service fee as set forth in the tariff by the PSC. The Board agreed to that solution. Mr. Lowe reminded those present to keep in mind that if we plug it off and someone goes in and uses it, it can back up in the house if you haven't contacted us to take it out. Ms. Marcum stated that she didn't think that was just right and inquired if they would check into it a bit farther and see what can be done. Mr. Stratton stated that he has to do what the Board tells him to do and the only option we have is for the Board to reconsider their position and if they change they change, and if they decide to keep it as it is then it will continue in its current course. Ms. Marcum stated that she thinks this is too much to pay when they are not even on the District's water and they let the District come across their property to let others have the water service and she doesn't see that much expense in maintaining these units. Chairperson James stated that she understands what she is saying because she is looking at it thinking it is not that much, but we had to analyze what it would cost throughout the whole Big Creek system to maintain them for life and that is what it came to be. Mr. Potter stated that the analysis was based upon that unit being there forever, a 30 year life span of a system, the replacement cost at contractor prices plus the cost of recommended

checks and balances to maintain them indefinitely by our employees. Chairperson James clarified that if Ms. Marcum decides to have the District plug off the system going to the home that is not occupied right now, we can do that and stop billing for that one until we are notified to turn it back on. Ms. Marcum inquired how much it would cost to have it turned back on. Mr. Lowe stated that it would be \$30.00 for the service charge and there is a security deposit of \$73.00. Ms. Marcum stated that others that she has spoken to do not have a sewer bill as high as hers and they have a water meter. Mr. Potter stated that they may be a minimum bill user or below. Anyone that is not on the water is based upon an average usage of 4,500 gallons to make it fair across the board, because we have no idea if your water is not metered how much a customer is using. Chairperson James reiterated that we are in a difficult situation here having never dealt with a sewer project such as this and we did what the PSC suggested for calculating billing based on an average with no water meter. There are still some issues we are trying to work out to see if there are other options and if that comes available we will let Ms. Marcum know, but if she makes a decision on that one property, let us know. She stated that she would let the District know, thanked the Board and left the meeting. Chairperson James inquired if there were further visitors. The Chair recognized Mr. Johnny Fields of Big Creek. Mr. Fields stated that he signed up on the system because he didn't know how old his other one was, but it was working fine and he was not told he had to get on this...it was voluntary and when he came in and signed up on it he was told \$14.00 per month as a flat rate was all it would cost him. Now his water bill has gone from \$50.00 per month to \$100.00 per month and he believes this \$50.00 extra dollars that he is paying is profit for the next 5 years for the District because it will not cost one penny to maintain this for the next 5 years. He stated that Massey produced all the money for these systems and he can't understand how a committee can pass a law and set them up on a sewer system when he is not on a sewer system. The District does not reprocess his water. If he was on a sewer line where his sewer went into a plant and was reprocessed he could understand paying the bill. But at a flat rate of \$14.00 a month...in 5 years the District will make \$840.00 off of him. In those 5 years, the District may have to pump that tank one time which will cost \$200.00 and the District is still making \$600+ profit. Chairperson James stated that it was calculated based upon the whole life of the system because....Mr. Fields interrupted that still at \$600 extra every 5 years...the District won't have to replace that system for 15 to 30 years. Chairperson James stated that when we do the money that he is paying annually....she inquired how much he said the "profit" would be. Mr. Fields stated that at \$14.00 per month the District will make \$180+ per year or \$840 in 5 years. And in those 5 years you may have to pump that tank one time. Chairperson James responded that in 15 years when that system has to be replaced, the District will have to pay the total cost of that and the District is trying to make sure that we have enough to do that and do all the maintenance and replace it when it needs replaced. All we could do is take the advice from the Public Service Commission and do the numbers and come up with what was best for this District and for the customers. Mr. Fields stated that he doesn't agree with it, and that he is going to call the Attorney General's office and see what he has to do because there wasn't anything wrong with his system in the first place. He stated that he has even considered going back to his well water so he won't even have to pay a water bill. Chairperson James responded that that is his choice. Mr. Fields responded that then the District will try to come out and plug his system. The Chairperson responded that if that is what he wants done, we can do that. Mr. Fields stated that he will not let the District on his property to do that. The Chairperson responded that then we don't have an option but to bill him on the service he is using. He is giving them no other options. Mr. Fields stated that he will be speaking to a lawyer about this because he stated that he was lied to from the beginning on the \$14.00 per month and made it plain when he signed the paper that that was all he was going to get charged and was told yes. Then things changed and he is being billed double for the water he is using. Chairperson James stated that she apologized that he feels that way and that the Board did the best that they could do with the information that they have available to them. Mr. Fields inquired who the main committee is over this. Chairperson James stated that this Board makes all the decisions for the District. Mr. Fields inquired if he hooked back to his old system he wouldn't have to pay nothing else but the water bill. Mr. Potter stated that that becomes a legal issue and he can't comment on that. Chairperson James stated that it may have to have the health department's approval on that. Mr. Stratton stated that we would need to check with the health department and see. Mr. Potter stated that if no one is utilizing the system we can plug it off and make the sewer service inactive and discontinue the billing. Mr. Fields stated that his system was fine before this was put in and it is still there. Chairperson James stated that the Board can check on that with the health department. Mr. Fields thanked the Board and left the meeting. Chairperson James inquired if there were any further visitors. The Chair recognized Phyllis Coe. Ms. Coe stated that she lives on Sycamore of Lower Johns Creek and the District is in the process of running water lines there now. She stated that she was talking to one of the contractors and evidently she

and her neighbor are not in the project area. She requested that someone come out and check this to see how they can get water service. Mr. Potter inquired what her address is. She responded that she lives at 239 Lower Wolfpen Hollow and her neighbor lives on up behind her at 369 Lower Wolfpen Hollow. Mr. Potter stated that the best thing to do is not to talk to people in the field, the contractors, because they don't have the final decision on where the Board goes or doesn't go. They get what the engineer has laid out. There is some additional funding available there may be extensions to the line in addition to the current plans for this project. He stated that he will go out at the end of this week or the first of next week and look at her area. Ms. Coe gave Mr. Potter her contact information and he stated that he would check into it and get back in touch with her. Ms. Coe thanked the Board and left the meeting. Chairperson James inquired if there were any further visitors. She recognized Dan'l Hall from Vaughn & Melton Engineers. He stated that he used to work for the highway department and also for the Pike County Fiscal Court and he actually set on this Board for some time and he does understand a lot of the issues that the Board faces, although the District has grown a lot since then. He stated that he is present today to brief the Board on what Vaughn & Melton can bring to the table with regards to their "tool box" when choosing engineering services for the District's projects. He stated that his company is a civil engineering company and they have a satellite office in Prestonsburg, but their corporate office is in Middlesboro. They operate in four states and he is the business development director for transportation and civil services in Eastern Kentucky, Eastern Tennessee and Western Virginia. He continued that they are a 140 person firm that specializes in water and sewer projects and they also do transportation. They have a former RD funding person on their team now and have that capability to help with any RD funding that the Board may need guidance on. He continued that they also have Right of Way experts and utility relocation experts and handle projects ranging from short line extensions to 16MGD wastewater plants. He stated that he did not come today to say that they are the end all...be all, but he knows quite a few of the engineers that are serving the Board now, and they are serving quite well, and they would like to be another "tool" in the Board's "tool box" when they advertise for engineering services and he believes that they can provide some services for the Board in addition to what they already have. He stated that he knew that the Board's time is limited and he thanked the Board for their consideration. Chairperson James thanked Mr. Hall for his presentation and inquired if there were any further visitors. There were none.

JULY FLOOD UPDATE

Mr. Potter stated that we have selected a contractor for the repairs to the maintenance building. Ms. Olson distributed a letter notifying the Board that the successful bidder was Tom Young with his low bid of \$24,000. The only other bid was \$39,000. We have taken steps to ensure that Mr. Young has liability insurance and to ensure the contract stays low, the District will purchase the materials and the cost of that will be deducted from the bid. Mr. Meyer added that the contractors should be complete with this work in a couple of weeks. Mr. Potter stated that the Chairperson signed the final PWs today for FEMA and those have been shipped out to get the temporary funding, the completed work and the work to be completed estimates. Hopefully, we can get some of the initial temporary money turned around pretty quickly. It may take a little longer to get some of the permanent work monies in. He stated that he is going to get with Mr. Meyer and they would like to work up some advertisements for bid to contract out the work that is yet to be completed in the system. He also stated that after talking to FEMA he does not believe that engineering services are going to be required. They said to just give the standard specifications as we did for the Gannon Estates project and bid it out like that. He requested the Board's permission to go ahead and get the Advertisement for Bids in and try to get the permanent work done before cold weather hits and some of our temporary things may freeze. Chairperson James requested a motion to authorize the Advertisement for Bids for the permanent FEMA work. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-09-001

Mr. Potter continued that after talking to FEMA, Bob Meyer and Ms. Olson the contractors who bid on this do not have to pay federal scale. Mr. Meyer stated that he will get that in writing. Mr. Potter stated that he was surprised about that but it was told several times to them. He will go ahead and put those ads out and inquired if the Board wanted those bids opened at the office of their legal counsel. Chairperson James confirmed this. Mr. Potter stated that we have Keene Village back up and running, fenced the waterplant and everything has been temporary and all the boil waters have been lifted for a couple of months. Mr. Meyer stated that Ms. Olson could make this statement better than him, but the FEMA folks were quite cooperative to deal with. Tammy Olson did the yeoman's share of the work and there is just a voluminous amount of paperwork that had to be done in terms of generating documentation to support all the work orders and so forth. So all of that is completed at this point and the estimate for the work to be completed is about \$360,000 and FEMA understands that if it costs more than that they will pay that, and if it is less they will pay that. They just have to have an estimated number to submit to Frankfort and to the other FEMA folks. He stated that he mentioned to the Chairperson earlier that in terms of equipment, there may be a lot of phone calls requesting additional documentation on equipment that was lost in the lot and in the storage building. Whatever is paid on that will be all District funds because it was District owned equipment and the other work contracted through 3rd parties will strictly be pass through...the contractor will bill the District, the District will pay the contractor, and FEMA will pay the District. On the internal work that has been done, both emergency and permanent work that has been done, the bulk of that will come back to UMG because it is our personnel and our materials and so forth. Some of that money for equipment that is the District's equipment will also come back to the District. He stated that he doesn't know the timeline for reimbursement at this point but anticipates that monies for temporary and work already completed will get turned around pretty quickly but will take longer for the work to be completed. Mr. Meyer stated that it is his belief that the District will do pretty well in terms of recuperating losses from this flood. It won't be 100%...it never is, but we were able to gather together the costs of everything that had been done and need to be done. Mr. Potter stated that we also did well by the donated time and equipment and got to use that as part of the match for the District. Commissioner Adkins inquired if the waterplant was completed. Mr. Potter stated that the fencing is back up. We still have some permanent work to do to the ponds. Mr. Adkins inquired how much equipment we lost altogether. Mr. Meyer stated that the original estimate was over \$300,000 but basically what we did initially was to identify everything that got flood water over it. There were some parts that were washed off and were able to be reused, so we pared that down to about \$165,000. The bulk of that is big ticket items such as generators, air compressors, and a control unit. Mr. Potter stated that some of the District's large equipment was purchased many years ago and FEMA said that once you account for depreciation it would be a negative value and they didn't want those turned in. That doesn't really help the District out but we did find enough to try to recoup back as much as we could. He stated that he is working a day at a time with the tools issue. He is not going to try to recoup all of that back quickly, but will repurchase things as we need them to build the District's resources back up to where they were before.

Mr. Potter stated that after the flood there were customers who called in and said that they had extremely high bills, their house was washed off, and the meter was covered up and couldn't be cut off. Ms. Olson has been dealing with some of it as well, and Mr. Stratton has checked into what the PSC will allow the Board to do and it is the Board's decision on which way to go with this. Mr. Stratton stated that there is a provision in the statutes that allows for emergency situations such as the emergency ice storm in Lexington a couple of years ago, so the Board can give modification to bills for appropriate emergency flooding issues. Chairperson James inquired if the Board can make this NOT a part of the one-time adjustment and can rule this an emergency adjustment without affecting any future adjustment eligibility. Mr. Stratton stated that this can be done without affecting the customer's future adjustment eligibility. Mr. Potter stated that he can come up with eligible areas that were affected by the flooding and make this available to them and the Board needs to decide what that adjustment will be. Commissioner Casey stated that we need to adjust off the amount that was attributed to the disaster. Those people do not need to be penalized because they have already been through enough. Chairperson James inquired from Mr. Lowe how we normally do that. Mr. Lowe stated that normally on a leak adjustment we adjust the rate down to \$3.60 per 1,000 gallons but what Commissioner Casey is getting at, is an adjustment back to their average bill, which is usually the 3 months prior to the leak. Chairperson James inquired if the Board could choose to do the adjustment back to the average bill. Commissioner Casey stated that he wants to

do whatever is the best route for each of the victims that were devastated by the flood. Mr. Stratton stated that the Board can make an emergency adjustment and the key restriction is to delineate the areas affected such as Raccoon Creek and Harless Creek. Once you start going up the hollows, you may have an area where the front part was impacted and not the back part. We have to draw a line and say who is eligible. Chairperson James stated that the customers affected by this will be calling. Mr. Stratton stated that different areas may have been impacted at different levels and the Board may draw the line wherever they think is appropriate, but his basis for saying this is to ensure those customers who were impacted are the ones who benefit from the adjustment. He also stated that the Board needed to decide whether to do this by application or a universal blanket. Commissioner Casey suggested allowing Mr. Potter, Mrs. Olson and Mr. Lowe who have dealt with this tragedy, to determine the areas necessary. He again commended the personnel of UMG for their quick response during this tragedy. Mr. Potter stated that he will identify the areas eligible. Commissioner Adkins inquired what will be done for those residents whose meters and homes washed away and are still being billed for their meter. He stated that \$30 or \$40 may not sound like a lot but if you have lost everything you have, it is a lot. Mr. Stratton stated that he wanted to raise another issue. The adjustment is normally just a one time adjustment for the event. What the Board is talking about is waiving someone's bill because they aren't there anymore. What he would suggest is to treat that as two separate things. We are looking at a one time adjustment for a disaster event which is fine. As to those people who are no longer there....Chairperson James inquired if they have contacted the District. Mr. Potter stated that some have not. He went to one about a week ago where the house is gone and the people had not notified us and it had an extremely high reading. He went to it and it apparently broke somewhere where the line went into the footer and they had water filling up what was left of the basement and they had not notified us. We cut it off. He also stated that in order to do rectify the situation we need to pull that meter and then back it up and take it off from the flood event. We can put a note in the file so that if they ever rebuild, we don't need to charge them for a meter installation because of the flood. Commissioner Casey stated that he believes that the Board needs to give Mr. Potter the discretion because he knows where those areas and worked in record time for the public and the latitude ought to be given to him. Mr. Stratton worded the motion as follows, 1. The Board authorizes UMG to give relief to adjust customer bills under the emergency provision of the statute for flood victims in those designated areas as outlined by UMG, and that the bill be for the average prior 3 month billing and will be a one time adjustment; 2. For those homes that are no longer being utilized due to the flood event, subject to consultation with the customer, those meters be turned off and recaptured and in the event that customer wants to reestablish service in the future, we will waive the installation fee for them. Chairperson James requested a motion to that effect. Commissioner Adkins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution 10-09-002

APPROVAL OF MINUTES **AGENDA ITEM III**

Chairperson James requested a motion to approve the minutes of the special meeting that was held on August 26th, 2010 as presented. Commissioner Adkins made the motion to approve the minutes as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-09-003

ANNUAL AUDIT – GRIFFITH, DELANEY, HILLMAN & COMPANY

Duane Boyles, Griffith, Delaney, Hillman & Company presented the annual audit to the Board of Commissioners. Mr. Boyles distributed copies of the annual audit and called the Board’s attention to the third paragraph of page one which is the opinion of the CPA that this is an unqualified opinion, which is the best opinion you can have on an audit. It states that the financial statements are fairly presented. He next referred to page three which is the management’s discussion and analysis of the annual financial statements. He stated that this gives the Board information on what happened throughout the year of 2009. He stated that page six is the statement of fund balance and assets. Total current assets have increased about \$635,000 from the ’08 period, and the total restricted cash increased about \$291,000 from the prior period and the overall total assets increased about \$494,000 from the ’08 period. Restricted assets increased due to the Board’s funding more of the reserves which is restricted cash. The District’s total current liabilities decreased about \$153,000 from the ’08 period and a large percentage of that decrease was contributed to the difference in accounts payable balances that decreased from the previous period. The total liabilities, which include current and long term liabilities, increased about \$1,660,000. Some of that increase is contributed to the increase in advances in construction. The District’s total net assets decreased \$1,166,000 from the prior period. The District’s total operating revenue increased about \$449,000 from the ’08 period and the total operating expenses decreased about \$381,000 from the ’08 period. A lot of that decrease can be contributed to the renegotiated contract with UMG where the District is realizing savings of about \$46,000 per month. With the 2010 period we are in now you will be able to see that full advantage for the whole year. He stated that total revenue decreased about \$1,535,000 realizing that depreciation was \$3,278,000 of that, and is a non cash expense. The overall effect of all revenue, grants, tap fees etc. was a negative \$1,166,000 which, again, includes \$3.2 million in depreciation. Total net assets were \$67,901,000 which agrees with page seven on the balance sheet. Mr. Boyles continued that the District’s cash increased \$429,000 and the overall total restricted and non-restricted cash is \$1,722,000. He stated that the other portions of the financial statements are the notes and required government reports for a single audit and he encouraged the Board to read through those. He also reviewed a graph presentation that he presented to the Board which was a visual representation of the information presented in the audit. Mr. Boyles inquired if there were any questions, and the Board having none, Chairperson James requested a motion to accept the audit as presented. Commissioner Collins made the motion. Commissioner Friend seconded the audit. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-09-004

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mike Spears distributed the financial report to each Board member. He reviewed the financial statements for the month of August with the Board members. He stated that August was one of our high months for revenue due to the summer usage. He stated that there was a loss this month of \$29,424 and year to date is \$1,000,046. Operating expenses for next month will go up now that we can roll the depreciation schedule forward and calculate the actual 2010 depreciation. He reminded the Board to keep in mind that it is a non cash expense. Operating income was a negative in the amount of \$37,531 keeping in mind that this number used to run well over \$100,000 per month. With the audit and the way that the financials

have gone this year, Mr. Spears stated that the District is on an upswing and back on the road to recovery. Of the loss of \$29,424 he pointed out that we did get the insurance refund during the month of August which resulted in a gain on the financial statements. That is why the net income for the period is less than normal. Mr. Stratton inquired what the amount of the insurance reimbursement was. Mr. Spears responded that it was in the amount of \$96,194.00. Mr. Spears stated that cash flow increased in August by \$122,000 which is contributed to the insurance reimbursement and the expense of \$50,000+ in capital assets (trucks to replace those that were flooded) and in September we will be writing another check for the balance of that for another three replacement vehicles. Next month we will see that number flip due to all of the flooding expenses. Mr. Spears stated that the funds have been transferred to the KIA and RD reserves in August as well as the sinking fund transfer. He also distributed spreadsheets to the Board outlining the Repair and Maintenance expenditures for the month of September. With the Board agreeing to pay the R & M expenditures as an offset from UMG in order to save on the sales tax liability issue, the reports give the same total at the end but break the numbers down differently. One is by vendor and the other is by expense. On page 2 of the report there is an expenditure of \$10,077 which is an upgrade for the digital leak detection equipment. Mr. Potter reminded the Board that it was approved on the capital items list for 2010. We traded in the 1998 model and upgraded to the new leak detection equipment. Mr. Spears called the Board's attention to the vehicle R & M expenditure as well. Total expenditures for R & M for the month were \$51,730.36. Mr. Potter stated that any time that a Board member has a question about anything on the R & M report they can call him or Carrie Hatfield and we can pull the vendor file and review it. Mr. Stratton clarified that under the agreement with UMG, this is the amount of money that is being passed through to the District that they are reimbursing UMG for. Mr. Spears stated that this report shows the expenses that the District is paying for directly and that amount is offset from the UMG contract payment each month. With no further comments, Chairperson James requested a motion to approve the financial report as presented. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution 10-09-005

PAYMENT OF BILLS **AGENDA ITEM V**

Ms. Olson distributed copies of the AP report and the Cash in Bank report to the Commissioners. After review, Chairperson James requested a motion to approve the payment of bills as presented. Commissioner Friend made the motion to approve the payment of bills as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-006

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

After review of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of four thousand, forty-two dollars and ninety-nine cents (\$4,042.99) as presented. Commissioner Collins made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows with Commissioner Casey abstaining from the vote:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-09-007

CONSTRUCTION REPORT AGENDA ITEM VII

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

- 1. Shelby Valley Sewer Project, Phase III, Section 2:**
Mr. Hunt stated that the change order approval has been received from the Division of Water and the contractor is now able to move forward and install the residential grinders. This was where we change ordered the purchased of the grinders from the District to the contractor.
- 2. Long Fork of Virgie Sewer Project:**
Mr. Hunt stated that the contractor is virtually complete with this project except for the power on the lift station and some final grading issues and hook ups. The contractor is waiting on AEP to make the connection. AEP required a check for the electrical hook up to the lift station and the contractor went ahead and paid that because it was in between Board meetings and as soon as AEP gets out there he will finish the project up.
- 3. Belfry/Pond Creek Sewer Project:**
Mr. Hunt stated that they are continuing as instructed on the design for this project. A hydraulic analysis has been completed and he will let Mr. Potter review it.
- 4. Hurricane Branch AML Water Supply Project (Ridgeline Rd):**
Mr. Hunt stated that contractor is complete with all of the main line on the project with the exception of going up to the tanks and could not start the tank work until October 15th due to the Indiana bat and the blue heron environmental requirements. The contractor has started the pump station and has poured the foundation. The plumbing is already in and he hopes to erect the block building and start with internal pumps and electrical connections inside the pump station

very shortly. He is supposed to receive the skid tank the first of October and it will be put in storage until after October 15th when he can continue the work.

5. Sycamore of Lower Johns Creek Water Project:

Mr. Hunt stated that the contractor basically has all the line in the ground. He reminded the Board that we got excellent bids on this project and will have additional monies remaining on the project. He has met with Mr. Potter last week and did some estimating on how far we can go on this project. He stated that he is in the process of preparing the change order, contingent upon the Board's approval, to extend the line as far as we can possibly go with the additional remaining funds. It is anticipated at this time to be able to extend the water roughly to the forks in Sycamore. Commissioner Casey inquired if that will cover the Wolfpen Hollow that Ms. Coe was asking about earlier. Mr. Hunt stated that he will check on the area and see where it actually is but he thinks it is an area where she lives far back in a hollow and there is a gentleman that lives behind her, and we can possibly set the meters out toward the main road, but he will check and see. Mr. Potter stated that we can probably get another mile of water line out based on the contractor's prices. He also stated that he had told Mr. Hunt that he assumed when we get to that point, he assumes the Board wants to stop the contract but have it already set up with the valves and extension and dead cap on it so that if additional funding becomes available, we won't have to back up and we will have the tie in available and ready to go. Mr. Hunt stated that we have more designed than we have current funding for that has already been approved by Division of Water. Mr. Potter stated that the design has been completed and was paid for by the first Johns Creek project, if we get more funding to complete, this is a good area because it is fairly well populated in both forks. Mr. Hunt requested the Board's approval to prepare the change order to allow the contractor to continue with the project until funds are expended, while withholding 10% of the funding for contingency. Mr. Stratton inquired if it would be 10% of what is left or 10% of the whole contract. Mr. Hunt stated that it will be 10% of the total project funding or about \$32,000. At the end when we have hooked everybody up and have all the meters set and we still have \$10,000 or \$20,000 more dollars, we can say "okay, we can add another 200' of pipe in", or whatever we can do with the remaining funding. Mr. Potter stated that when the resolution is done, the Chairperson should be given signature authority so as soon as the change order is done it can be executed and the contractor can continue working after Mr. Stratton's review also. Chairperson James requested a motion to approve a change order on the Sycamore of Lower Johns Creek Water Project to allow the contractor to continue with the project with a 10% retainage of total project funds and to give the Chairperson authorization to sign it when completed upon Mr. Stratton's review. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-008

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

1. WTP Expansion/Upgrades:

Mr. Potter stated that some of the equipment that UMG had to work on this project was destroyed in the flood. Mr. Campoy reminded the Board that the power and controls for the new high service pump was to be done by UMG. Mr. Potter stated that the control panel for the high service pump was flooded. We are going to try to go through it and determine if it is a complete loss. We were waiting for FEMA to get their portion done before we took it apart to see if any of the components would work or if we have to buy another one. As we find out the severity of the damage and get components back, UMG will continue their work on this project. He also stated that we have been running the new intake for four or five months now and it has been doing really well and doing what it needs to do with the changing of the river levels.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

1. Smith Fork of Phelps Sewer Project, Phase I Change Order 1:

Mr. Griffin stated that this project has been done for some time and is already passed the 1 year warranty. There is only one thing on the punch list that needs to be done and that is raising 1 barrel. It has not been done because the resident won't let the contractor back on the property. Bruce Coleman, BMM, Inc., stated that he did put an extension on top of the barrel and the resident took it off and it has disappeared. It has been done and the person took it off. Commissioner Casey clarified that it was taken off by the property owner. Mr. Coleman responded that it was apparently the property owner because the contractor put in on and now it is gone. Mr. Griffin stated that the resident kept the contractor off of his property for a long time. But that is the only item on this phase that he knows of still outstanding.

2. Smith Fork of Phelps Sewer Project, Phase II:

Mr. Griffin stated that there have been six barrels set this month and as the Board requested he did a summary of remaining work and each Board member should have that. The only discrepancy is that BMM said he was low on the service calls and he can't deny that he is low on that number. There are two customers on the other side of the railroad that weren't supposed to be signed up but they were. The numbers that the Board has in front of them is as of September 1st when the last estimate was cut off. Other than the six additional barrels set, the numbers should be accurate. What is being paid this month comes off that \$175,000. Commissioner Casey commented that there are not a whole lot of funds left in this project. Mr. Griffin stated that there are quite a bit of funds but not enough to go to the end of it. He went through the plans with Mr. Potter and Chairperson James and at that time there was 23 customers left to hook up, of which 16 were line that had already been set and 2 were across the railroad, which took a permit for 2 customers to be hooked up. Commissioner Adkins commented that the railroad charges a lot for those permits. Mr. Griffin stated that the railroads have gotten very expensive. Mr. Potter stated that it takes about \$10,000 to get the permit. Mr. Coleman stated that it has been averaging about \$15,000 for them. Commissioner Casey inquired if the contractor would be doing the recommended work as listed as on the sheet Mr. Griffin submitted to the Board. Mr. Griffin responded that some of it would not be such as the Pounding Mill pump station replacement of the control panel and telemetry. Mr. Potter stated that the Division of Water has sent a letter recommending strongly that they would like to see telemetry on this area's stations. He believes that previous management had informed them quite some time ago that we have a project in

which he was going to do that in to alleviate that overflow situation and the DOW is expecting it to be done. Commissioner Casey stated that he doesn't have a problem with it other than the contracting firm that got the initial bid should be awarded all of the work. Mr. Griffin stated that the biggest unknown of the whole thing....Mr. Stratton interjected by inquiring if we are treating this as a change order or as another contract. Commissioner Casey stated that the contractor got this job. Chairperson James stated that this is a change order to the original contract. Commissioner Casey also stated that the contractors need to be paid out of the project for the service calls made on this project. Mr. Griffin stated that he wanted to point out that the contractor has not had a service call since Wascon changed out that part of each pump. Mr. Coleman stated that he didn't think so but he did get a bill for a service call from Mountain Water that he doesn't know anything about. It was on Staggerweed and he didn't get a call on it. Commissioner Casey stated that he was glad to hear that the service calls have stopped. Mr. Griffin stated that the biggest unknown here is the last item on the list. It needs to be addressed and he doesn't know the best way to handle it. Between the Phelps station and the Billy Dotson station there is either a line crimped or an air pocket or something that is causing an obstruction. The same thing is happening between Pounding Mill lift station and the sewage treatment plant. We had a meter that we put on to check these out and the proper flows are not getting through either one of those lines. The only way he knows how to check it is to get out there and uncover some line, put a tap on it, pressure gauges, start the pump and try to isolate where it is happening and hopefully if they find it there will be enough money here for the contractor to dig it up and replace it. Commissioner Casey stated that he think that needs to be fixed. Mr. Griffin stated that it is crucial because it is the whole operation and everything. Chairperson James clarified that Mr. Potter's recommendation on this is for the replacement of the lift station and the telemetry. That is needed for this project. Mr. Potter responded that while the money is available the Board needs to have those issues fixed. Chairperson James stated that that is the \$33,000 for the lift station and the \$48,000 for telemetry. She inquired if the Board was okay with going ahead with those expenditures from the project funds. There was no opposition to her statement. She continued that we have then the bill from the contractor on the service calls which is \$19,600 that needs to be taken care of. Mr. Griffin stated that that is about \$100,000 of the funds right there. Chairperson James responded that she was aware of that. Chairperson James continued that there are the engineering services fees. Mr. Griffin stated that comes as a percentage as work is done by contract. Chairperson James continued that she believes that the Board is in agreement that those items come out of the project funds; the \$19,600 for the service calls, \$48,000 for telemetry, \$33,000 for the lift station and the remaining engineering and inspection. Mr. Griffin stated that he does not want to do the lift station until we find what is wrong with the line because the flows are not there now and it could indicate that the pumps are inadequate but he doesn't think so. That ought to leave enough money for someone to do the last two items of finding the crimped line. Chairperson James inquired from Mr. Griffin if he is saying that if we do that there is no more money to use for additional customers. Mr. Griffin stated that we will have grinders left over and he is thinking there is 10-12 left to put in, which is about \$33,000, so there is still some money left to do the things at the bottom of the list. Chairperson James inquired if there was funding left available that the Board needs to direct the contractor to pick up any more customers...are there any more customers that are in line there? Mr. Griffin responded "no" and the contractor already has the list of everyone that is signed up. Mr. Coleman stated that there are 22 names on the list given to him by Mountain Water. There are 2 across the railroad tracks that probably won't be gotten because of the cost of the permits. Mr. Griffin stated that he thinks there are 7 left in the area they are leaving now. Mr. Coleman stated that he is trying to protect his interest as a contractor because he has already purchased parts and equipment for the next 25 homes. If we stop where we are at, he has invested some equipment that he may or may not use. If the Board takes all the money that is left for the next 25 homes and cuts that to 12 homes and spends the rest of the money, he is holding a bunch of equipment that he didn't need to purchase. Chairperson James stated that her concern is that they don't overspend the project funds. Mr. Spears stated that his recommendation would be to let him get with Mr. Griffin and see what is showing left and what is needed to be done. Commissioner Casey stated that he would appreciate it on behalf of any contractor that we use, and we have several good contractors that we use, he wouldn't want them treated wrong by this Board or Mountain Water District at the end of this contractor. Every contractor that has bid on their job anywhere they have going in Pike County needs their contract that they were awarded. Mr. Griffin stated that he wanted to add that

if there are parts left over that the District can use, we can put them on the estimate of stored materials so we can use them. That is not a big deal. Mr. Coleman stated that would be grinders and barrels that would belong to Mountain Water, what he is talking about if pipe and fittings that they have purchased. Mr. Griffin stated that he knew what Mr. Coleman was talking about and that is the way they have done it in the past and RD and everyone else has allowed it. Commissioner Adkins inquired if we are going to be able to get everybody over there that has signed up. Commissioner Casey stated that we have turned away by this scenario from the project that this Board had talked about in the April and May meetings on extension to encompass more people and he thinks that is what this Board needs to be about....installing and helping every customer that we can get, particularly in the outlying areas of the county, that is where we have got to do the line and the contract needs to go as far as we can take it. Usually that is those people's last shot. Mr. Griffin stated that if we use what money is left to run line it would only pick up 2 of the 7 that is up there. Chairperson James stated that that is something we need Mike Spears to look at with Mr. Griffin. Commissioner Casey inquired how the contractor feels about how many he thinks he can pick up with the monies we see on the list. Mr. Coleman stated that Mr. Griffin is pretty accurate with what he is saying about the number of customers. From the contractor's point of view, if there is money there that is not being used for other projects, the best use of the money is to use it until it is gone. He wouldn't overspend, but he wouldn't leave any money that has already been awarded. Commissioner Casey stated that he doesn't have a problem with that but the things on the list that needs attention that Mr. Potter has diagnosed, does the contractor have a problem with that since they got the contract. Mr. Coleman stated that if that is the best use of the money for the people in that area which is also where he lives....Mr. Griffin interjected that we already did a pump station and it ran through their contract and he doesn't see any difference here. Commissioner Casey stated that as long as the contractor is offered that work. Mr. Griffin stated that the telemetry might be different. Mr. Potter stated that UMG people need to do the telemetry. Randy Conley is certified through Micro Comm and he doesn't think the Board would want someone who isn't certified doing the work. Commissioner Casey stated that then this is the case where we should go on and service more people because he thinks it is those people's last opportunity to receive the service. When we get out into the outlying areas of our county, those people rarely receive some basic necessities and he is for giving the opportunity for each household legitimately under the contract that we can hook up because those opportunities don't come too often. Mr. Griffin stated that he would agree with that but would point out that this finding the obstruction in the lines is crucial because those lines serves every customer that has already been hooked up. Mr. Coleman stated that if you don't take care of these last 7-8 people with this contract you are not likely to ever go back and pick them up. Commissioner Casey agreed and stated that we all know that those people will never be seen no more and that's where we can do people wrong and he is about trying to do people right and this is their only opportunity. Commissioner Adkins stated that we have to take care of our own people and do business with our own people here locally, no matter what you are into. Commissioner Casey made a motion that the contractor be permitted to extend the services under the monetary figures that's there and that the service calls be adjusted to the amount of \$19,600; that everything that we can extend to the people in that outlying area through dredging or whatever system that we might use where they can be provided service, that we do it under this operating contract with the monies available. Chairperson James inquired if the Board would like to give Mr. Spears a chance to get with Mr. Griffin and make sure these numbers are correct before we act on it. Commissioner Casey inquired why they would be brought to this table if they weren't correct. Mr. Spears stated that he just wanted to double check everything and he agrees with Mr. Griffin that we need to spend every dollar of this money. Commissioner Casey agreed and stated including all the people that we can service. Commissioner Adkins commented that as long as we can service them with what we've got. Commissioner Casey stated that he has a motion on the floor that we allow the contractor to finish the job under the monetary figures that is left and the outstanding service calls be revised to the \$19,600 figure. Mr. Spears inquired from Mr. Griffin if he is saying there is \$175,000 remaining. Mr. Griffin stated that there is \$175,000 as of September 1st. Mr. Spears stated that Mr. Griffin's number ties back to his as of September 1st but we have about \$300,000 down here. Mr. Griffin responded "no". Mr. Spears stated that we have \$175,000 in remaining work. Mr. Griffin stated that that was if you would have kept going to pick up 2-3 customers. You can't get to Allen Branch with the remaining funding. Mr. Griffin continued that we are talking about stopping where we are, where the 2 customers are across the

railroad tracks, then you've got the \$175,000 to do the continuing work to pick up 2-3 customers after a long stretch of no customers. Mr. Stratton clarified that Commissioner Casey's motion was to extend the project as far as possible including these adjustments or excluding these adjustments for the pump station, telemetry, etc. Commissioner Casey responded that his motion was on the floor to extend the line for customers as long as money permits. Mr. Stratton inquired what about these additional items listed. Commissioner Casey stated that he didn't know where these come in. He doesn't know if this contractor has submitted these or not. Mr. Coleman stated that he hadn't seen the list. Commissioner Casey stated that he hadn't seen it until this morning either and this is not for extension of the lines here. Chairperson James inquired if Mr. Potter would explain the telemetry issue to the Board, that it is something that was promised to the Division of Water as something that we would do with these funds. Mr. Potter agreed with her comments. Commissioner Casey stated that in the April or May Board meeting here, the Board said that they were going to extend that line as far as we could with all availability of monies. That is what this Board done. We gave the contractor direction to go as far as they could, now "as far as they could" hasn't been happening and he has a problem with that. When this Board stated to go as far as you could that was an order given by this Board to take care of the people that we can hook up because he thinks it is their last shot for a very long time. Chairperson James stated that she understands that completely and she is on board with that. She stated that her issue is that she doesn't want to use all of these funds up and something that the Division of Water was promised with these project funds doesn't get done and it is left to the Board to pay for it. Commissioner Casey inquired if that was in the initial contract. If that language was not in the initial contract that the contractor was awarded then that is another point. Chairperson James inquired about the lift station. Mr. Stratton inquired if these extensions to go forward were change orders or from the original contract. Mr. Griffin stated that the problem is that as far as you can go, there are only 2-3 customers to pick up. Mr. Stratton stated that the net effect of Commissioner Casey's motion is to extend and then expend all of this funding for 2 customers. Commissioner Casey stated that he doesn't care, he thinks every customer is important whether it is 1 or 2 or 18 and he thinks they ought to do what is in the best interest of the people and hook them up. Mr. Stratton inquired if there is any other source of funds to do this other work if it is required of us to do it. Mr. Griffin stated that he has no idea about that. Commissioner Casey inquired if this additional work was in the initial contract that was awarded to the contractor. Mr. Griffin stated "no". Commissioner Casey responded to Mr. Stratton that this is out of line. If this work was not in the initial contract that was awarded to this contractor, we are violating that contractor's rights and he doesn't approve of that and he reminded the Board that his motion is on the floor and he has not had a second to it. Chairperson James inquired if there was a second to the motion on the floor. Commissioner Adkins stated that honestly he doesn't understand the legality of all of this issue and would like to look it over further. Mr. Stratton inquired if this work was part of a change order to the original contract or part of the original contract. Commissioner Casey stated that this work would have to be a change order if it wasn't in the original contract. Mr. Stratton clarified that the extension itself is a change order. Mr. Griffin agreed to that statement. Mr. Stratton stated that the issue is from a legal standpoint whether or not the extension that we have talked about is a change order. If the Board has signed a change order to that effect then that is an issue. However, if we have not signed a change order to that effect then we can change it again. Mr. Griffin stated that the Board can change it anytime they want to. Mr. Stratton stated that the contract is one thing, but these are the funds that are left over from the project. These are two different things. Commissioner Casey is relating the funds available on the project and the contract. We had a contract for X dollars and we had funds for Y dollars so we had funds left over so we did a change order to talk about extending them. We didn't sign that change order so now we are looking at a change order to reallocate some of those monies to a different place. Mr. Coleman stated that the funds aren't left over at this point, they aren't finished with it. Mr. Griffin stated that the quantities are already set forth on the estimate form for how much they are going to construct. Mr. Stratton interjected by inquiring from Mr. Coleman what the original contract amount was for. Mr. Coleman stated that he didn't remember off the top of his head but he thought it was around \$1.2 million. Mr. Stratton inquired if they had done that level of work and has the District paid them that amount of money. Mr. Coleman stated that phase 1 was complete as stated earlier. Mr. Stratton stated that everything else we have done since then is a change order; an extension of the original contract. In other words, the District has met their original obligation to the contractor under the original contract. Mr. Coleman stated that he

believed that is correct. Mr. Stratton stated that everything else under the extension of the contract is a change order; therefore, under a change order we have the flexibility of saying we want to extend the line as Commissioner Casey has talked about or utilize the money for replacement of the lift station and telemetry that Mr. Potter and Mr. Griffin have talked about. So from a legal perspective, as long as we have met the original obligation of the contract we have flexibility to utilize change orders as the Board feels appropriate, whichever way that is. Mr. Coleman stated that to simply that from his perspective is that the change order was to continue putting in customers until the Board tells them otherwise and he was provided with a list of names, which is how he operates and purchases items. Beyond the 22 names that are on the list right now, there is going to be money left over...we aren't there yet. He believes the \$48,000 for telemetry is fair and that money will be there at the end of the contract. Beyond that he doesn't know what will be there. Mr. Griffin stated that if we go as far as we can with the remaining funds then there won't be any money left. Commissioner Casey stated to Chairperson James that he believes the Board needs to get on with the action of whatever the Board is going to do. Chairperson James stated that there wasn't a second to the motion. She stated that more verification of the funds is needed because we have the contractor saying that he feels that, based on his numbers, that we can do everybody and funds be left over, and then the engineer saying that is not true. So she stated that she would like for the Board's CPA to go back over the numbers and make sure before the Board does anything, because she doesn't want to get into a situation where we have expended more than what we have. Mr. Stratton stated that the Board needs to clarify with the contractor as well not to make any further commitments so he is not put in a bad position. Mr. Coleman stated that after this meeting he won't go any further. Mr. Griffin stated that the contractor still has some customers that are signed up that need set in areas that are completed. Commissioner Casey stated that he hopes they don't treat their contractor like this in the future and he apologized to Mr. Coleman. The motion on the floor died for lack of a second.

3. KY DOT Route 199 Water Line Relocation Project

Mr. Griffin stated that bids were opened at Dan Stratton's office on September 22, 2010. He has brought the bid tabulation and his recommendation is to award the contract to the low bidder, US Rentals. He stated that one of the bidders had a math error that has been corrected on the bid tabulation sheet. The apparent low bid was \$105,775 for US Rentals and Construction. Chairperson James requested a motion to approve the award of the contract to the low bidder, US Rentals and Construction in the amount of \$105,775 and authorize the Chairperson to sign the contract and give authorization to proceed to the contractor. Commissioner Collins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-009

DRAWS:

Chairperson James requested a motion to approve the draws as submitted. Commissioner Adkins made the motion. Commissioner Collins seconded the motion.

SMITH FORK OF PHELPS SEWER PROJECT, PHASE II			
Contract 2	Coal Severance Funds	\$	898.74
Contract 2	Coal Severance Funds	\$	11,935.80
Contract 2	Coal Severance Funds	\$	2,875.00
LMI PROJECT			
Contract 1	Coal Severance Funds	\$	228.00
Contract 1	Coal Severance Funds	\$	53.17
TELEMETRY			
Contract 1	Coal Severance Funds	\$	5,794.00
Contract 1	Coal Severance Funds	\$	1,433.82
SHELBY VALLEY SEWER PROJECT, PHASE III, SECTION 2			
Contract 1	Stimulus Funds	\$	8,063.46
Contract 1	Stimulus Funds	\$	550.64
SYCAMORE OF LOWER JOHNS CREEK			
Contract 1	Coal Severance Funds	\$	113,398.20
Contract 1	Coal Severance Funds	\$	8,773.33
HURRICANE BRANCH AML PROJECT (RIDGELINE ROAD)			
Contract 1	AML Funds	\$	67,327.68
Contract 1	AML Funds	\$	10,083.76

Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-010

MANAGER'S REPORT

AGENDA ITEM VIII

1. Monthly Operating Report:

Mr. Potter stated that we have been recovering from flood related issues. He stated that the highway department wants to do a line relocation due to installing a new bridge that goes into the Pond area of Draffin. The main and side water lines will need to be relocated out of the way and then relocated back when the project is done. Mr. Hunt stated that the design for the project is complete and has DOW approval. They have been waiting on the highway department to give them authorization to go with it because it involves 2 river crossings. The District didn't want 2 river crossing in permanently and something happens and one washes out, that puts a whole lot of people out of water. They are waiting for the DOT to let them know when they are going to put it out for bid. There is a preconstruction and post construction of the water line. The preconstruction of the water line will relocate the line across the river and reconnect the existing customers. After the new road and bridge is completed, then we go back and relocate the water line in the ditch line. He requested permission to bid out the preconstruction plans. Mr. Potter stated that this all came down in the last few days and why he needs permission now to proceed

with this because they get in a big hurry when they decide to do it. Chairperson James requested a motion to advertise for bid for the initial relocation of the water line at Pond of Draffin in connection with the highway department road and bridge installation project. Commissioner Adkins made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-011

Mr. Potter continued that Scott Fork Industrial site is now ready to go and the county is paying for that. Summit is handling that as well. Mr. Hunt stated that this project includes a 6" water line extension that goes up to the Scott Fork site where the EQT headquarters will be located along 119. Construction has already begun to build a pad for the new building and of course, they need utilities. Since everything is a go now, we need to bid out that project and the county is paying for it. It will connect to the District's existing line. Chairperson James clarified that the funding will come from the county from the District will own the lines when it is completed and therefore have to give permission for the bidding process. Mr. Hunt responded that is correct. Chairperson James requested a motion to authorize the bidding of the Scott Fork Industrial site water line extension that is being funded by the county. Commissioner Collins made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-012

Mr. Potter continued that online payments keep going up and we are continuing with the LMI program. We are now getting down to the last ones. We would have been farther along if not for the flooding and can do about 20 more. That will deplete that fund and we have not been authorized any more funding for that program through Coal Severance. Commissioner Collins inquired if the water was okay now. He had heard about the TOC letters that had been sent out. Mr. Potter responded that the water has been fine and the way that TOC testing is structured, if you get one hit it is not an indication that anything is wrong with the water. As a rule of thumb, that is a way that the EPA looks at determining that there is a potential to develop trihalomethanes or haloacetic acids in the system. Mountain Water has never had a haloacetic or trihalomethane hit. We are below the limit although we didn't meet their removal rate for what they recommend as a rule of thumb for TOCs. The reason it is difficult for the District to do that is that your water comes out of the Breaks which is relatively clean and pristine at most times. It is hard to get a removal rate of it out when it isn't in the water to begin with. They have a rate for across the nation that everybody will meet this percentage and he has argued with them for years because everybody don't have the same water they are treating. But if you get one hit, that lowers your average, you have to send out quarterly, until the average comes up, a notice to your customers. There is no way out of it, even though we have not been under it again since September of last year. Commissioner Adkins stated that we are talking about a lot of money to

send these out as well. Mr. Potter stated that it costs about \$6,000 each time we have to send it out. Mr. Lowe stated that was to send it to about 8,000 customers under the old PWSID system. Mr. Potter stated that now that we have been reincorporated into one entity again under one PWSID number, it will be considerably more if we get hit again. He stated that he is working with the Division of Water to try to see if we can waiver out of this based upon our source water. It has been done for other entities and he is going to try. The water is safe. There are no trihalomethanes or haloacetic acid formation in the water that is beyond the limits set forth by the EPA. Throughout the state Mountain Water probably has the lowest formations of haloacetics just based upon our source water. Water quality is a direct issue based upon your source water. These rules were basically made for water from a lake or other non moving source, like a well, where other things can impact the water source. Our water source is flowing and oxygenated and is cleaner and easier to treat because of that. It is just hard to meet the TOC rule of removal. Mr. Potter stated that the wording that is mandatory from the DOW is scary to most customers but that is what the EPA wants. If there had been an actual problem or anything that would have been hazardous to human health, the Board and our customers would have known about it immediately. Chairperson James requested a motion to accept the manager's report. Commissioner Friend made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-013

NEW BUSINESS

1. LMI Project -

Mr. Potter stated that he had covered some of this issued in the manager's report. Chairperson James stated that one thing that still needed to be considered is that we have quite a few more people signed up for this program that will not get a tap during this funding cycle and we have at least another 2 year period where we know that there will not be any more funding. How do we want to handle these residents who have been on the list but not gotten a tap? Mr. Stratton stated that we could send them a letter. Mr. Potter stated that we sent one out a while back of the same type of thing and he can get the Board a copy of that. Mr. Stratton stated that the issue then becomes, if we do get additional money do we pick up on the original list or do we start all over? Chairperson James stated that she didn't know that we can keep the list because we know that it will be at least 2 years before we get more funding for the program and their situation could change. Mr. Potter stated that we should wait until we finish with this funding and wrap up the project and he will let them how many people are still on the list and go from there. The Board agreed.

2. Service for Trace Fork of the Breaks by Buchanan County PSA--

Mr. Potter stated that they have a project coming out of Virginia going over Bull Mountain and will be going by Trace Fork that is in the District's service area but the mouth of the hollow is on the Virginia side with water service. He showed the Board its location on the map and stated that he didn't know if the Board would ever have the funding to ever get to that point. A woman called him from Trace Fork and said that she had spoken to Darrell Cantrell who is the manager of

Buchanan County PSA and he had said that if Mountain Water did not want to serve that area, they could if the Board wanted to relinquish that zone to their service area or another option is for the District to do a purchase point or master meter for resale at that location for those customers, but the District would then have to fund running the water line up the hollow. Mr. Potter continued that he has spoken to Mr. Cantrell before and he is interested in purchasing water from the District in another area because it will be awhile before they can serve the area also. He stated that he will call him back, if the Board so directs, and tell him that we can work something out for them to have the Trace Fork area to serve them. This project is about a year out and he will speak with Mr. Cantrell again and report back to the Board on this issue. The Board agreed.

3. Wastewater Service Provided to Ratliff Creek – City of Pikeville –

Mr. Potter stated that we can skip this item. They had asked about being able to serve this area with sewer but have decided to go another direction at this time.

4. Johns Creek Daycare/PCFC Sewer Contract –

Mr. Stratton stated that the County Attorney has this contract at this time and is presenting it to Judge Rutherford to look at.

5. MWD/City of Elkhorn City Water Contract –

Mr. Potter stated that he has reviewed it and given Mr. Stratton a few small changes. Mr. Stratton stated that it is ready to go as far as he is concerned. Mr. Potter stated that it is just an increase due to the increase of the electrical cost that went through this year from AEP. Mr. Stratton stated that he needed authorization to present to the Elkhorn City the revised contract and from a legal standpoint the verbiage is exactly the same as the old contract. The only thing that changed was a tweak in the fee structure to reflect our increased cost of operation. Chairperson James requested a motion to authorize Mr. Stratton to present the revised contract for wholesale water purchase to the City of Elkhorn City. Commissioner Adkins made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-014

6. Big Creek Freewill Baptist Church Billing Issue -

Mr. Stratton stated that with regards to how they were hooked up to a septic system, their version of the facts was different from what we understood to have happened and we need to clarify a few things of what people said and come back with a recommendation for the Board to consider on how to proceed.

7. Ridgeline Road Water Line Extension – Upper Pompey/Jonnican

Mr. Potter stated that he has been looking for other funding but there is some funding out there in the amount of \$100,000 - \$150,000 with a stipulation on it that it has to be utilized by January 1, 2011. Additional funding is not there to construct this area although we have requested it. What he would like to do, to keep that money from going back or going away, is to have the Board be able to utilize the money to get an engineer to design the project, then it would be ready to move forward when the funding becomes available. He stated that he needs to confirm with the Department of Mines and Minerals that the money can be used for that purpose. If it can be utilized for that purpose, he inquired if the Board wanted to authorize him to put that out for RPO for engineering services. Commissioner Adkins stated that he would like this get started. Chairperson James directed Mr. Potter to check on it with Mines and Minerals and see if we can utilize the money and report back to the Board at the October meeting and then we will go from there and that will still give the Board time to advertise it.

8. Coverage of Main Line on Collins Street Without District's Consent -

Mr. Potter stated that Mr. Stratton is preparing a letter regarding this issue and he has tweaked a little about residents building over the line or excavating over them making them too shallow. It will be sent on the Board's behalf if this issue is discovered in the future. Mr. Stratton stated that the letter basically says that we have learned that they may have built over top of the District's water or sewer line and our regulations prevent them from doing this and directs them to move it or not proceed and to call our office to have the issue addressed.

9. Gannon Estates – Request for Adoption into the System

Mr. Potter stated that he looked over the engineer's as-built plans and the Board has said they would adopt if it met the District's criteria. The engineer sent a statement showing that it was inspected and adhered to the District's criteria. They have complied with all of the Board's requirements and his recommendation is to formally adopt Gannon Estates into the District's water system. Chairperson James requested a motion to formally adopt Gannon Estates in the water system. Commissioner Collins made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-015

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

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

Chairperson Rhonda James	Aye
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. 10-09-016

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

Chairperson Rhonda James	Aye
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. 10-09-017

Mr. Stratton stated that a resolution is needed to authorize the Chairperson to settle the Will Brown case in mediation subject to recommendations at this time up to the Board's recommended limit. Commissioner Adkins made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-09-018

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments. There were none.

ADJOURN MEETING

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

Chairperson Rhonda James	Aye
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. 10-09-019

MOUNTAIN WATER DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING
OCTOBER 27, 2010
10:00 AM

ATTENDANCE

Russ Cassady, Appalachian News Express
Bruce Coleman, BMM, Inc.
Jody Hunt, Summit Engineering, Inc.
Doug Griffin, Kenvirons, Inc.
Greg Dotson, Inspector
Dan Stratton, Stratton, Hogg & Maddox
Bob Meyer, Controller, UMG
Gron dall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Financial/Office Manager, UMG
Carried Hatfield, Assistant Financial Manager, UMG

CALL TO ORDER

AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, October 27th, 2010 at 10:00 a.m.

All Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Kelsey Friend
Commissioner Ancie Casey
Commissioner Prentis Adkins

VISITORS

AGENDA ITEM II

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

JULY FLOOD UPDATE

Mr. Potter stated that the repairs to the blue building have been completed. They cleaned out all of the flood mud, repaired the outside of the walls, replaced the heating and cooling unit, redone the floors, took up the carpet and the Board is welcome to go down and look. He stated that the contractors did a good job on the repairs. We are also going forward contacting the fencing contractor and he will be coming in to re-fence the area around the lot and across the road as well. We put out the contracts for bid: Contract 1 was repairs to the lagoons at the Water Plant, Contract 2 was repairs to the affected areas in the Marrowbone/Mouthcard area, and Contract 3 was repairs to the affected areas in the Raccoon Creek and Hurricane of Kimper areas. The bids were opened at Dan Stratton's office. He then conceded the floor Bob Meyer, UMG Comptroller, to discuss the bid results. Mr. Meyer stated that we bid out three contracts in the newspaper. The estimated cost that Mr. Potter put together on Contract 1 was \$219,308 and we received two (2) bids on that contract; one (1) from BMM, Inc. and one (1) from Tom Young. The low bidder was BMM, Inc. for \$213,333. The caveat with that is that there is 2,900 cubic yards of sludge that comes out of those ponds; it has to be taken out with an excavator, dried out and hauled off somewhere.

The original assumption was that the sludge would be taken to the county landfill and there is a significant tipping fee associated with dumping sludge at the landfill. When Mr. Potter did his cost estimate, he included tipping fees with his estimates. It is our understanding that the low bidder, BMM, Inc. also included tipping fees in their bid prices. We have not had the opportunity as of yet to sit down with them to discuss this, but we have identified an alternative site where the sludge can be dumped where there is no tipping fee associated with it. Mr. Potter stated that the Division of Water has confirmed to him that they do not consider what comes out of the flooded lagoons to be sludge anymore because it was over 90% contaminated by the flood and is mostly dirt and will not require us to adhere to having to dump it at a certified landfill site, as long as it was out of the flood plain and in a permitted area. So we have found an alternative site where the tipping fee will either be greatly reduced. Mr. Meyer stated that the bottom line is that there is a lot of room for negotiation with BMM in terms of what the contract cost is going to be on that contract. We have not sat down with them to discuss it as of yet but we feel it will make a significant reduction in the total contract price. Even though FEMA will pay for the bulk of this, the District is still responsible for 13% of the total contract price, so we are obviously concerned what the net cost is going to be for the District in terms of that matching amount. He continued to state that the other two (2) contracts were essentially line work. The bigger contract was Contract 2 and Mr. Potter's estimate on that project was \$93,217. We only received one (1) bid for that work and that was from H2O Contracting for \$178,175 which is substantially higher than what estimates were. Mr. Potter's estimate for Contract 3 was \$47,620 and we received two (2) bids on that contract; one (1) from H2O Contracting for \$64,585 and the other was from Tom Young who subsequently withdrew his bid, so we are essentially dealing with only one (1) bid on Contract 3 for \$65,585. Mr. Meyer stated that they had met briefly with Steve Lockhart from H2O Contracting yesterday and he is basically saying that the cost is higher mainly because the project sites are scattered among a large area and there is extra cost associated with mobilizing his crews so much. Mr. Meyer stated that he and Mr. Potter do not believe that that justifies the difference between the estimated cost and H2O's bids. We have not had time to negotiate with H2O but they have indicated that they are willing to concede some cost in negotiating this contract but we don't have a specific amount to give the Board at this time. There is room for negotiation with the low bidder for each of the contracts. We know that if the Board decides to move forward with the low bids on these contracts, it will be less than what the actual bid amounts were. Mr. Meyer stated that their intent is to sit down with BMM and H2O and negotiate a lower contract price for all contracts. He continued that the Board can do two (2) things at this point in addition to authorizing himself and Mr. Potter to negotiate with the contractors on the contract price; 1) either accept these contracts conditioned upon an appropriate revised contract amount with the Chairperson and another Board member approving that, or 2) they complete the negotiations with the contractors and report back to the Board at a special called Board meeting at which time the Board would agree to accept or reject the negotiated amounts. Commissioner Casey stated that the Board shouldn't have a problem because the costs are going down and not up. Mr. Potter stated that some of the factors that influenced this was that he estimated on normal contract prices but this is sort of extraordinary because they are moving within a six (6) to eight (8) mile radius and he didn't have a good feel for how much contractors would want to move their crews, but he still feels there is room for negotiation. He stated that the just wants to keep it flowing so we don't have to wait much longer to get started because cold weather is coming and he is afraid some of the temporaries will start to freeze and the contractors can start seven (7) after notification to proceed. Chairperson James stated that she would rather call a special meeting after negotiations are complete. Commissioner Casey inquired if the Board could go ahead and approve the bids with conditions accepting a downward trend in the negotiated contract prices. Mr. Meyer stated that there is no question that the contract amounts would decrease but the only thing at this point that they are requesting is that the Board give him and Mr. Potter authorization to negotiate with the contractors and then at that point would come back to the Chairperson and request a special meeting be called to act on the bid awards. Commissioner Adkins inquired if dumping on mine permitted land would be a big savings on that contract. Mr. Potter stated that it would if we can get it cleared. Chairperson James stated that she would like to make the suggestion that we look at the county landfill and see if they are willing to negotiate on the tipping fees because it would only help our county if we use our county landfill. Mr. Meyer and Mr. Potter replied that they would do that also. Commissioner Adkins stated that expense for hauling the material from A to B is going to be a big amount. Mr. Potter stated that when he originally called the landfill they wanted \$33.50 per ton on the tipping fee. Chairperson James stated that she thinks that is negotiable and she would like to give them that opportunity. Chairperson James requested a motion to authorize Bob Meyer and Grondall Potter to meet with low bidders for these contracts in order to further negotiate the contract prices and to notify the Chairperson upon completion

so that a special Board meeting can be called. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-10-001

Mr. Meyer also stated that the difference in the estimates between the cost estimates and bid prices are also partially due to the dynamic nature of the work since the county and state road crews and other contractors are coming through and putting banks back and concreting them, and some of the work requirements are changing. The Board responded that they understood that as well. Commissioner Adkins inquired what the estimated tonnage was on Contract 1. Mr. Potter stated that he had estimated it at 4,893 tons, and it will have to pass a paint test at the landfill and cannot be liquid form so it will have to go to a holding area to be dried before dumping. He also stated that in reference to the customer adjustments due to the flood, as they call in we are proceeding with the Board's recommendation on how to handle their adjustments. Chairperson James inquired if that was being perceived very well by residents. Mr. Potter confirmed that the public is taking advantage of this benefit. He also stated that UMG is quite a bit over on the R & M budget due to the flooding and him having to purchase things back for the District that FEMA and the insurance company excepted out, plus \$21,000 for the building repairs. Commissioner Adkins inquired if we received all of the ordered trucks. Mr. Potter confirmed that we did and he also is going to proceed with the bid on the other two (2) trucks that the Board authorized to be replaced. Mr. Meyer inquired from Chairperson James if she had received any formal notices from FEMA with regard to the reimbursement of the PWs. The Chairperson stated that she had not received anything from FEMA to this point.

APPROVAL OF MINUTES

AGENDA ITEM III

Chairperson James requested a motion to approve the minutes of the regular meeting that was held on September 29th, 2010 as presented. Mrs. Olson stated that Commissioner Casey had corrected that he had voted "aye" on all issues at the previous Board meeting and it needed to be corrected in the minutes. It will be corrected before becoming the official record. Commissioner Adkins made the motion to approve the minutes as corrected. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-10-002

FINANCIAL REPORT – MIKE SPEARS, CPA

AGENDA ITEM IV

Chairperson James stated that Mr. Spears is not able to be in attendance today and made sure that each Board member had a copy of the financial report. After review and with no further comments, Chairperson James requested a motion to approve the financial report as presented. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-10-003

PAYMENT OF BILLS AGENDA ITEM V

Ms. Olson distributed copies of the AP report and the Cash in Bank report to the Commissioners. After review, Chairperson James requested a motion to approve the payment of bills as presented. Commissioner Friend made the motion to approve the payment of bills as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-004

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

Chairperson James commented that the first adjustment on the list was large and inquired if it was flood related. Mr. Lowe stated that it was not flood related and was due to a large leak that the customer had and we adjusted off 3 months per the Board's policy. The customer is a repeat offender and gets a leak adjustment every year. He keeps leaks and won't correct them and we have had to shut him down before for pulling the system down in the area due to leakage on his side. Chairperson James stated that she would like to get a history on this account going back five years and we may need to look into doing something to correct this situation. After further review and discussion of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of eleven thousand, two hundred and eight dollars and fifty-one cents (\$11,208.51) as presented. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-005

CONSTRUCTION REPORT

AGENDA ITEM VII

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

1. Shelby Valley Sewer Project, Phase III, Section 2:

Mr. Hunt stated that the contractor has just received his residential grinders and he is back on the job installing those. This is the stimulus project.

2. Long Fork of Virgie Sewer Project:

Mr. Hunt stated that the contractor has finished up those remaining residential grinders and has gotten power to the lift station. He will be scheduling a walk out very soon for final inspection.

3. Belfry/Pond Creek Sewer Project:

Mr. Hunt stated that there is nothing new to report on this project.

4. Hurricane Branch AML Water Supply Project (Ridgeline Rd):

Mr. Hunt stated the contractor has installed all main line and started the pump station as of the last meeting. The contractor couldn't do any more work until October 15th because of the Indiana bat. The contract moved to the Sycamore of Lower Johns Creek project that he had been awarded and has been working there until that date. He is now back at this project and has the block building for the pump station complete and is working on the access road and site preparation the tank. Commissioner Casey inquired who the contractor was for this project. Mr. Hunt stated that the contractor is US Rentals and Construction. Commissioner Casey stated that they were doing a good job up there. Mr. Hunt agreed and stated that they got it done really quickly and got it done faster than was anticipated. They did not encounter nearly as much rock as was originally thought. AML has visited the site several times and are thrilled with the progress.

5. Sycamore of Lower Johns Creek Water Project:

Mr. Hunt stated that the contractor, US Rentals & Construction, has been working on this project and the change order has been executed and they have all the main line in including the change order area. He still believes there will be a little bit of funds left over, as was intended, to make sure we didn't go over budget. The contractor is setting meter sets now. We may be able to get about 1,000 more feet, but can review that at a later date closer to completion of the project.

6. DOT Project – Pond at Draffin:

Mr. Hunt stated that this project is in the process of getting ready to bid. There are a few changes that need to be made first. This project sat on the shelf for 2 ½ years by the highway department,

who are now saying "go, go, go" and he wants to review it a little more thoroughly before he bids it out. Mr. Potter stated it has actually been out there for about 4 years, design was done 2 ½ or 3 years ago, and then they set on it at the highway department. We need to review it again before we move forward with it. Commissioner Adkins inquired what they were going to do up there. Mr. Potter stated that they were going to build a bridge a take a curve out and the District's 10" line is currently in the ditch there and we will have to relocate the line twice; across the river and back while they are installing the bridge and cutting down the road, then move it back after work is complete.

7. Scott Fork Industrial Park Water Line Extension:

Mr. Hunt stated this project is also preparing to be bid out very soon.

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

1. WTP Expansion/Upgrades:

Mr. Potter stated that UMG is doing the electrical portion of this project and had some of the components flooded and we are waiting to see what we can get reimbursed back for. We might be able to save the VFD and other items. As soon as we establish what we have to work with we will get back to work on this project. The equipment had just come in a few weeks before the flood and was setting on the lot when it got flooded and put us behind.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

1. Smith Fork of Phelps Sewer Project, Phase I Change Order 1:

Mr. Griffin stated that this project is done.

2. Smith Fork of Phelps Sewer Project, Phase II:

Mr. Griffin stated that the contractor is still waiting on a decision from the Board as to how to proceed on this project. They have set a few grinders to set this month and have a few more to set in the area they have already laid the line in. Chairperson James stated that the Board had asked for a presentation on remaining funding and mapping of the area. Mr. Potter stated that he has prepared the mapping for the Board's review at this time for presentation. The Board then moved to the mapping exhibit to review the project area. Mr. Potter showed the Board where the current end of the line is located in the Phelps area. Along the road above that is approximately 1,200 feet and there is only one (1) more person signed up on the map, nothing on the next three 1,200 foot sections, which is about 5,000 feet total of no signers. Going up to the old Chisholm mine there are two (2) trailers and they are not signed up. There are four (4) residences way

beyond that and only one (1) of those has signed up. Bruce Coleman, BMM, Inc., stated that he has had several phone calls from people who want to be on but have not signed up. Mr. Potter stated that they have had months to sign up and haven't done so. Commissioner Casey stated that we are doing these lines and if those people are not hooked up now, they will never get the service. Even going down Johns Creek where we are doing a project, it is sparsely populated, and this Board agreed at the last meeting that we had extra funds to hook those people up with. We will never be back in this area and he believes we are doing people wrong when we don't do it. Chairperson James stated that the other thing we talked about was the maintenance on that line when you have that long of a stretch with no customers. Mr. Potter stated that has to be figured in also. He stated that if the few that have signed up utilize the service it will take about a week to turn over the sludge as it comes down the line to the lift station and in that period of time will go septic. We do have water service in that area all the way up to the Jehovah's Witness church at the bottom of the mountain. It is the Board's decision. Chairperson James inquired what we are committed to do with the funding that is available right now. Mr. Potter stated that the prior Superintendent and he had notified the Division of Water that at the end of the project some of the funding would be utilized to upgrade our pump stations, to put in telemetry and put security fencing around the stations. Commissioner Casey inquired how long that pump station has been there. Mr. Potter stated that it was done in 2001. The first part of these projects was done in 1999 over at Buskirk. He also stated that Mrs. Olson has researched some of the information showing that over the last year or two (2) he has notified the Board that there are still items that we need to take of on the pump stations with this funding. It may have been during a time when some of the current Board members weren't here at that time, but he has notified the Board before this came up that these issues need to be taken care of to upgrade the system and get us in better shape on the Board's behalf. Chairperson James inquired why we are in the situation of needing these upgrades. Mr. Potter stated that initially in the original projects there were items like telemetry cut out because of funding constraints. Chairperson James clarified that these items were originally designed for this project but kept getting cut due to funding issues and are needed now to service the customers we have. Mr. Potter stated that we have about 1,100 customers over there now with those that BMM have put on and it has almost doubled from the original project. Commissioner Adkins stated that if we have that much pick up on that line, wouldn't you think we would pick up a bunch more on this line over time? Mr. Griffin stated that we are still picking up customers from the first lines that were put in within the last ten years. Commissioner Adkins stated that if the line is put in to these people, we will pick up customers up there over the years. Commissioner Casey agreed with that statement and stated that once you leave an area you don't go back. Commissioner Adkins stated that in his opinion if these people don't get the service they will never get it. Commissioner Casey stated that he thinks this Board should be about servicing the public with water and sewer and should be our number one criteria. When you butt off a project when you have some funding left within the parameters of that contract, those people that are above the stoppage of that line will never be serviced in our lifetime. Chairperson James stated that she didn't disagree with that but then you wonder about the people that are already on the line and what happens if we don't do the upgrades. Commissioner Casey stated that maintenance is always something that we do and he has heard since he has been on this Board that we have thirty (30) year old lines that we are going to have to do a lot of maintenance on. That is an ongoing situation. Mr. Potter stated that basically it will come out of R & M and if it is above what has been allowed, the Board will have to pick it up out of their budget. Chairperson James stated that we don't have it. Mr. Potter stated that he is just letting the Board know how it is. Commissioner Adkins stated that in the Collins area there were some people that weren't very far up in there that we could have gotten, but we would have had to gone under a railroad trestle to get to these people. He inquired why someone isn't working on this railroad situation because this is ridiculous to pay the railroad so much for that. He stated that he spoke to a man at a meeting in Louisville and he said that he got around a lot of this because they know someone at the railroad. Those people could be served up there and they have sewer running on the ground. Commissioner Casey commented that he agrees that when we have the dollars in a project we ought to hook up the public. Commissioner Adkins stated that he is no engineer but when you drill a hole under a railroad or under a road for a water line to go under, what damage does it do? The railroads are worked constantly. Mr. Potter stated that we are playing by the rules and their rules cost a whole lot and if the District has parallel lines on their right of way, anything new they want forty-six dollars a foot just to have an easement. Mr. Griffin stated that railroads are powerful.

Chairperson James inquired if we have the funds to run that line at Phelps all the way up to the last person who wants service. Mr. Griffin stated that we have \$124,000 left in the project. Commissioner Casey stated that he thought we had \$276,000 at the last meeting. Mr. Griffin stated that we did not. Commissioner Casey responded that the figure was over \$200,000 at the last meeting and the Board talked about that figure here. Mr. Griffin stated that we talked about that figure but that was not taking the retainage out which is money that has been allocated but not yet paid and won't be paid until the contract is over. Right now we have \$124,239.61 available that is not obligated. To finish the line would take \$155,000. Chairperson James clarified that to get up there to pick up the last five (5) customers would cost \$155,000 which is over what we have available. Commissioner Casey inquired if that was trenching it. Mr. Griffin responded that it was directional boring it. Commissioner Casey inquired if trenching would be less cost. Mr. Griffin stated that it hasn't been lately; there are a few sections in there that can be trenched but there is a good portion down at the lower end of it where the highway department... we have to get behind those trees, which slows everything down and you can't trench there. Commissioner Casey reiterated that at the last meeting we talked about two hundred and seventy some thousand dollars and now we have \$124,000. Mr. Coleman, BMM, stated that his number was \$235,000 and Mike Spears said his number was \$237,000. Mr. Griffin stated that that was not taking the \$65,000 out of it for retainage. Mr. Coleman confirmed that \$65,000 was obligated for retainage already out of that. Mr. Griffin stated that the work that was done since then has been deducted also. Commissioner Casey inquired from Mr. Coleman how many customers that he foresees being able to hook up with the money remaining. Mr. Coleman responded that he would go as far as the money holds out and should make it as far as Turnip Branch but he doesn't know. Commissioner Collins stated that over the years we have done this kind of stuff and that got us to where we are today. Every time we finished a project we always had some left to go a little farther and a little farther and then it ended up costing us an arm and a leg which we couldn't afford. It is too close... the next thing you know we are just about under. That is what got us in this shape. He stated that the Board can do what they want but he needed to say that. Commissioner Adkins inquired if we could get any funding. Mr. Potter stated that there is currently no funding out there. We have met in the Judge's office this week and there is no funding out there available right now. Commissioner Casey stated that that is the reason we get such a black eye from all the elected officials because the perception is out there, whether we want to believe it or not, that we don't take care of the people. When we've got monies on a project and have a contractor in place and we don't service the people to the last dollar of that project, this Board and our District is doing the public wrong. Chairperson James responded that you can't run line to no customers. Commissioner Collins stated that we did serve them to the last dollar. Commissioner Casey stated that we just had a contractor tell us that there were customers up there. Chairperson James stated that you also have an engineer telling you that you can't make it to those customers. Commissioner Casey stated that we had this same situation on the Johns Creek issue last month when we said we had money left and this Board approved to spend the money to take the line as far as it would go and that is the right thing to do when you are dealing with public money is to take care of the people. Commissioner Casey made a motion that the monies that remain in the project account be extended as far as we can take the line. Chairperson James responded that it is to no customers. Commissioner Casey commented then that she should make a motion. Chairperson James responded that she doesn't have a motion to make right now because the Board doesn't have all the facts here. Right now we were told that in order to complete this project to get to the four or five customers, it will cost us over \$155,000. We have \$124,000. Commissioner Casey stated that we had \$230,000 last month and by the time we get here next month there won't be a quarter in it if it is leaking out that quick. Mr. Griffin stated that we had \$189,000 last month minus the retainage, we paid for the service calls that were done this month, we paid for the service calls this month and the extra customers that are still being hooked up and right now you have \$124,239.61. Chairperson James stated again that the cost is \$155,000 to go towards those additional customers that you won't even get to, just lay line because it won't make it that far. Mr. Griffin stated that you might get two or three stragglers that could get service in that first area. Commissioner Casey stated that he doesn't think that the public needs to be called stragglers either; they are the public that we owe and should not be degraded in any form by being called a straggler house or whatever. Chairperson James stated that there are other things that we have committed to that have been adjusted out of the \$124,000. If we don't do that then the upgrades and telemetry that we originally committed to will

not be done. She inquired what happens if that is not done. Mr. Potter stated that we will have to wait and see what the Division of Water says. Chairperson James inquired what happens if the Division of Water comes back and says we have to have these upgrades and telemetry. Mr. Potter responded that the District would have to write a check to fix it. Chairperson James responded that we then won't have the money to do that because we have spent the funds to take line up and maybe get two (2) customers. Mr. Potter stated that we would do whatever the Board wishes. Commissioner Casey stated that you can always leave the Peter Creek side out...they've been left out long enough. Chairperson James stated that we have money sitting for Pond Creek in the same situation. Commissioner Casey responded that when that is put on the Board she will find him voting for the Pond Creek area and for the public over there. Chairperson James stated that she will definitely as well but until you have the funding in place you can't do it. Commissioner Adkins inquired how much funding would be left afterwards if we do the upgrades. Mr. Griffin stated that the upgrades will cost about \$85,000 and he doesn't have a hard number on finding the problem with the line in the ground. Mr. Potter stated it will take about \$90,000 to do the upgrades and what we project needs to be done. Commissioner Adkins inquired what would happen if we don't utilize the money for that. Mr. Potter stated that if push comes to shove with the Division of Water and the maintenance issues over there, anything that we need to do to keep the system maintained would be taken from R & M. Any R & M overages passed what was projected is the Board's responsibility to pay for. Chairperson James stated that it would be a pass through to the customers which ultimately the customers would have to pay for that. Mr. Potter stated that while they are considering this he would tell them about two (2) issues that were found by the DOW in a regular survey at the Phelps Buskirk Project. According to permit a chart recorder was never put in design and that plant has been in service several years. The DOW wrote a letter of warning saying we must have a chart recorder and flow meter there, which will be about \$5,000 which has to come out of R & M because it has to be installed. Also, an all weather outside enclosure 24 hours composite sampler is required for that plant and they sent a letter of warning on it as well and he has to purchase one of those for about \$6,800 which will come out of R & M next month. The Division of Water will be notified when these compliance issues are repaired. Chairperson James inquired if the Board has any questions or comments regarding this project. Mr. Coleman clarified that what the question here is that the money that has already been assigned to this project, the Board is being asked to redirect that money somewhere else to make upgrades. Chairperson James responded that they are being asked where to go from here...here are your options. Mr. Coleman then stated that the question then is which way do you want them to go...to continue this contract or redirect the money somewhere else. He stated that he is not trying to sway the vote one way or another but to understand and agree with Commissioner Casey's point, if you don't continue you will probably have an issue to continue later on. There are only 5 or 6 now signed up beyond where the Board is talking about currently. His experience has been that when they go up a new place, new people add on as they go but they don't know that for sure. If you bid out a project for \$200,000 and \$150,000 into that project you decide you want to take some of that money and go somewhere else, do you stop the work. It seems like that is what the Board is doing now. Commissioner Casey stated that he thinks that is a good analogy and that is doing the contractor wrong, when they submitted a bid for the original contract, that money was included. Chairperson James stated that we change ordered this part of the contract. The original contract was completed. This was a change order because we got additional funding for the Smith Fork project. Mr. Coleman stated that now they are being asked to redirect that money somewhere else. Mr. Potter stated that that is not necessarily true. He has a letter saying \$800,000 would be the second part of that project and DOW was told that some of it would be utilized upgrading in the Phelps area. Mr. Coleman clarified that the money that has been appropriated for the Smith Fork Project is still going to be used for the Smith Fork Project just redirected to a different contractor to do different work. Mr. Potter again stated that that is not necessarily true. Commissioner Casey stated that last month he brought that subject up, if the contractor would be doing the work under the remaining monies and was told no. Mr. Griffin stated that the answer to that is a yes as far as he is concerned. Chairperson James confirmed that the current contractor can do some of it. Commissioner Casey stated that that is what he for. The contractor should have all the monies within the guidelines of his original contract. Mr. Griffin stated that he agreed with that 100%. Mr. Potter stated that the only thing that would be excepted out would be the telemetry which would be done by UMG because the contractor is not certified and unable to do that. Chairperson James stated that the contractor

can do the upgrades. Mr. Coleman stated that the bottom line is that the Board is being asked to make the best use of what monies are left available for the Smith Fork Project. Chairperson James confirmed that that is exactly the point...without going over. Mr. Potter stated that Mr. Coleman has hit it right on the head exactly. Commissioner Casey stated that he still believes that the Board should be about trying to get ample funding for those other people and we should be about the business of trying to help those people in these outlying areas. Chairperson James stated that she believes that all the Board members agree with that. Mr. Potter stated that UMG is continually searching for funding sources to keep progress moving. Commissioner Casey withdrew his motion that was on the floor. Chairperson James stated that the decision needs to be made on what to do with the remaining funds. Commissioner Adkins stated that he is asking questions about this because he is new on the Board and needs to know for his own personal information and needs it broken down, but like all other Board members, he is there for the people and to get them service. He would like to see them get the service as far as we can go. Commissioner Casey stated that what he had a problem with is that once you butt that line off, it might be years and years before you go back and service those people in the remote areas and he wants to see them get service. Mr. Potter stated that it bothers him also and there are areas of this county that have been looked at that may take years to serve, but we are looking at new scenarios and tests being tried that may make this easier, that will be installed in the next two weeks in conjunction with the health department. There may be another option, but until the tests are done we won't really know if it will be a viable alternative. Commissioner Collins stated that we also still have to maintain what we've got and it is coming due right now. Chairperson James requested a motion to authorize the engineer to negotiate with the contractor on a change order to complete the required upgrades in the area in priority order and get critical areas first with remaining funding following the completion of hook ups in the areas that already have access to the completed sewer line. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-006

3. KY DOT Route 199 Water Line Relocation Project

Mr. Griffin stated that the contract has been signed for this project and the highway department has requested a letter from the District agreeing with the engineer's recommendation on the low bidder before they will allow the project to proceed. That letter has been prepared and is ready for the Chairperson's signature today.

DRAWS:

Chairperson James requested a motion to approve the draws as submitted. Commissioner Adkins made the motion. Commissioner Casey seconded the motion.

SMITH FORK OF PHELPS SEWER PROJECT, PHASE II		
Contract 2	Coal Severance Funds	\$ 4,264.11
Contract 2	Coal Severance Funds	\$ 28,815.40
LMI PROJECT		
Contract 1	Coal Severance Funds	\$ 3,500.00
Contract 1	Coal Severance Funds	\$ 3.42
Contract 1	Coal Severance Funds	\$ 124.90
TELEMETRY		
Contract 1	Coal Severance Funds	\$ 177.80
SYCAMORE OF LOWER JOHNS CREEK		
Contract 1	Coal Severance Funds	\$ 422.98
Contract 1	Coal Severance Funds	\$ 12,282.65
Contract 1	Coal Severance Funds	\$ 130,861.80
HENRY CLAY SEWER PROJECT		
Contract 1	Corps Funds	\$ 66,080.00
HURRICANE BRANCH AML PROJECT (RIDGELINE ROAD)		
Contract 1	AML Funds	\$ 27,000.00
Contract 1	AML Funds	\$ 16,500.00

Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-007

MANAGER'S REPORT

AGENDA ITEM VIII

1. Monthly Operating Report:

Mr. Potter stated that we have been working on the flood repairs and it has gone very well. There were 33 paid taps in September, 247 have been done since July of 2009. We completed 2 LMI taps in September and we are probably down to about 10-12 more taps out of the funds. Elkhorn City purchased about \$15,000 worth of water in September. Online payments are still increasing. The Division of Water conducted a sanitary survey in September on the potable water side and the office portion. David Taylor, Tammy Olson and he handled most of it. They checked all the record keeping and everything looked good there and then they went to the field and he anticipates no issues whatsoever. We are still looking at the issues with the Pike County Health Department in the Harless Creek and Raccoon Creek areas. People have water service and no sewer service. We are working with them to try to make sure people are not going to be caught in a bad situation so there will be no disconnections. Public Service Commission training is coming up in December and Mrs. Olson stated that she has Commissioner Casey and Commissioner

Friend down to attend that training. Commissioner Collins stated that he needed to go as well. Mrs. Olson stated that she will take care of getting all registered. We have had issues at Raccoon Creek with people filling over the line near the new bridge. The water line is now about 12 ft. deep and he will have to issue some of the letters that Dan Stratton prepared for the Board on this issue. If they ignore it, he will have to take the issue to legal counsel and go from there. Commissioner Collins inquired how they got into that line. Mr. Potter responded that with it being 12 ft deep he doesn't know but they have broken it twice. We issued a boil water on it and he is not sure what they are doing. They broke it a second time after we went out and showed them where it was when they broke it the first time. Also, normally the Board purchases Christmas cards to send out, about 150 of them, and he inquired if the Board would like for him and Mrs. Olson to go through and pick an appropriate card instead of you having to go through and look through the catalog. Chairperson James confirmed this. Mr. Potter then stated that an issue has come up with the old Marrowbone Water Treatment Plant at the mouth of Harless Creek has not been utilized for about 5 years. The power has been disconnected from it as well. It was purchased by Marrowbone Water District in 1972 according to the deed and is being vandalized. He inquired what the Board wanted to do with this property. It is a liability due to vandalism, etc. We keep it locked but there is a possibility that it can be broken into and someone could get hurt. Commissioner Casey stated that if it is unneeded, the Board should get rid of it. Mr. Potter inquired if the Board wanted to advertise it for sale "as is". The Board agreed. Chairperson James requested a motion to authorize the Advertisement for Bid "As Is" for the Sale of Surplus Property at the old Marrowbone Water Treatment Plant. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-008

Mr. Potter continued that he needed authorization for himself and David Taylor to be the Board's representatives at state auctions to purchase equipment on the Board's behalf. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-009

NEW BUSINESS

1. **LMI Project -**
This item was discussed under the Manager's report.

2. Service for Trace Fork of the Breaks by Buchanan County PSA–

Mr. Potter stated that they discussed this item during the last meeting. He stated that he met with Darrell Cantrell of the Buchanan County Public Service Authority and they are going to have a line going by the mouth of that hollow near the state line. He stated that he had went out there and looked at the area and it is about a mile and a half of line to service 8 people. The District currently has no line extension funding and inquired if the Board wanted to authorize him to notify the Buchanan County PSA that the District will relinquish the area to them since they are closer and can service them sooner. Chairperson James made the motion to authorize Grondall Potter to issue a letter to the Buchanan County PSA stating that if they wants to serve these people, that that Board is willing to relinquish that area in their territory to them. Commissioner Adkins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-010

3. Johns Creek Daycare/PCFC Sewer Contract –

Mr. Potter stated that this contract is still in the hands of Roland Case, County Attorney. Chairperson James stated that at the last Fiscal Court meeting, they approved to possibly look into getting someone certified to take over the maintenance themselves.

4. MWD/City of Elkhorn City Water Contract –

Mr. Potter stated that the Board sent the letter and the Elkhorn City has had a council meeting in which this was discussed, but he has received no response as of yet.

5. Big Creek Freewill Baptist Church Billing Issue –

Mr. Potter inquired from Mrs. Olson where we are on this. She responded that Dan Stratton was looking into this issue. He had mentioned that abandoning the system to them is not an option without causing problems with other residents. Chairperson James inquired if we can turn it off. Mr. Potter stated that he can plug it and tell them they can plumb to their old system. Mrs. Olson stated that we gave them that option and they didn't want to do that. He stated that he will get with Dan Stratton on this for the next meeting.

6. Ridgeline Road Water Line Extension – Upper Pompey/Jonnican

Mr. Potter stated that he is working on the funding scenario for this project. It may involve some match but believes we need to apply for it and may can get some Coal Severance if we find out in the interim that some line item money is not utilized, we may be able to put a funding package

together for this project and he is still working on it. Commissioner Casey made a motion to accept the Manager's Report as presented. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-011

Mr. Potter stated that we got a letter back on Friday on the Board request to be able to utilize the \$100,000 current money on design for the Jonnican and Upper Pompey areas of Ridgeline Road. They have given the permission to use the funds for that purpose. Chairperson James stated that she believes that reason they allowed it was because that would be a cost that would have to be incurred anyway and indicated that if there were monies left over after that, they would entertain other options if it was a minor portion of the money. Chairperson James requested a motion to authorize to advertise a Request for Qualifications/Request for Proposals for engineering and design for the Ridgeline Road Project, Jonnican and Upper Pompey areas. Commissioner Friend made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-012

7. Legal Issues

-Executive Session to Discuss Outstanding Litigation and Potential Litigation

Chairperson James requested a motion to go into executive session to discuss outstanding and potential litigation as listed on the agenda. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-013

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

Chairperson Rhonda James	Aye
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. 10-10-014

Chairperson James stated that there are no issues or actions coming out of the executive session that needs to be done. She also stated that the Board did not feel the need to change any meeting dates due to the holidays and they will stand as the last Wednesday of each month.

Mr. Potter stated that an issue has come up that we need to go ahead and address. There a mistake on a bank transaction and Mr. Lowe called to have it corrected and they said he is not a signature authority person and they cannot discuss any of the Board's accounts with him. Mr. Lowe stated that he would like for the Board to authorize both himself and Carrie Hatfield on their accounts because they both have to deal with all the accounts. They have not had a problem with them before, but they have a new employee now and will not talk to either of them. Commissioner Casey made a motion for Kevin Lowe and Carrie Hatfield to be authorized to discuss all accounting issues of the Mountain Water District with the Community Trust Bank and authorize the Chairperson to sign the form to send to the banks. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-015

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments. There were none.

ADJOURN MEETING

Chairperson James stated that if there were no further comments, she requested a motion be made to adjourn the meeting. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-10-016

MOUNTAIN WATER DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING
NOVEMBER 24, 2010
10:00 AM

ATTENDANCE

Vicky Bartley, 25 Left Fork of Dry Fork, Elkhorn City, Ky.
Russ Cassady, Appalachian News Express
Bruce Coleman, BMM, Inc.
Jody Hunt, Summit Engineering, Inc.
Dan L Hall, V & M Consulting Engineering, Inc.
Tim Campoy, EDC, Inc.
Doug Griffin, Kenvirons, Inc.
Greg Dotson, Inspector
Mike Spears, Spears Management
Dan Stratton, Stratton, Hogg & Maddox
Bob Meyer, Controller, UMG
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Financial/Office Manager, UMG
Carrie Hatfield, Assistant Financial Manager, UMG

CALL TO ORDER **AGENDA ITEM I**

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, November 24th, 2010 at 10:00 a.m.

Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Kelsey Friend
Commissioner Ancie Casey

Commissioner Prentis Adkins was absent for this meeting.

VISITORS **AGENDA ITEM II**

Chairperson James inquired if there were any visitors for today's meeting. She recognized Vicky Bartley, daughter of Amos Bartley, a resident of 25 Left Fork of Dry Fork. She stated that he had received a large water bill for over \$200. They found a minor leak but there was not a large amount of water there and they kept searching and found that there was no regulator on the meter. They watched the meter indicator and would go forward and backward. They kept looking and found a leak after the meter where it tied into their line in a metal pipe and they tightened up that connection. She stated that she feels that they should not have to pay for that high bill because there was no regulator on the meter and the meter was lying on top of the ground. They have been with Mountain Water District since about 1991 and she called several times trying to find out what their problem was and finally spoke with someone who asked if they had a check valve. She didn't even know what that was, so she bought one and put it on their side. In the mean time, MWD came and buried it where it was laying on top of the ground and put a regulator on the meter. She stated that the water bill shows that her dad used about 32,000 gallons of water and there is no way he could have used that much. When her dad first received the bill she called and the District sent someone out, her dad is 87 with a touch of dementia, and she had told them to contact her and let her know what is going on with the meter. She never heard back from anyone and she called several times and a week later she was told that they had spoken with someone who said that there had

been a water leak. She told them that was her dad and he knew she was working on the line but didn't know what was going on. She stated that hopefully it is fixed now and they now have a regulator on the meter and this month the water bill was a normal amount. Chairperson James inquired if Mr. Lowe was aware of this situation. Mr. Lowe stated that Ms. Bartley had called and we went out. He stated that three separate work orders were generated on this issue. The first one said that our employee talked with the customer and they had a leak on their side and it has been fixed. The second one said that our employees put a regulator in on November 1st. Mr. Potter commented that our tariff states that we will regulate 90 psi or above and this pressure read at 75 psi, but we went ahead and installed one because of the customer's issue, but we weren't required to have one below 90 psi. Mr. Lowe stated that the high bill was for water used between 8/16 and 9/16/10 and we have read it twice since then, On October 15th it read 3,990 gallons and on November 16th it read 1,700 gallons. Commissioner Casey inquired if this issue would qualify for the adjustment. Mr. Lowe stated that he offered a leak adjustment to Ms. Bartley, but she feels that all of it should be adjusted off. Chairperson James stated that the leak adjustment is what our tariff allows us to do. She stated to Ms. Bartley that our tariff allows us to offer the leak adjustment to customers and that is regulated by the Public Service Commission and sets it in stone what we can and cannot do. What they allow us to do for situations like this is to offer an adjustment one time in a 12 month period. Ms. Bartley stated that she has spoken to Mr. Lower and told him that if she felt it was their fault, she would have no problem with that, but this is one time that she feels that it somehow came through the meter and also when they first came out, a month later, they told her brother that there was 100 pounds of pressure coming through there and they had turned it down to 50 when they came by there. Mr. Potter stated that all he can go by is the 75 lbs on the pressure test. We can look into it again and see what the incoming pressure, but if it was over 100 psi and there was no regulator, there would have been no way to turn it down. The only thing they could have done is regulate it to within 25 and 75 psi and it comes preset at 45. If there was no regulator initially, there was no way they could have adjusted it. Ms. Bartley stated that they had checked something and her brother was there and said that they made the comment to him that there was 100 psi on there and they had turned it down to 50 psi. Chairperson James inquired when that was. Ms. Bartley stated that that was around when they were putting the regulator on. Chairperson James stated it would have had to have been after the November work order when they put the regulator on or they would not have been able to turn the pressure down. She then clarified that there is a regulator on it now and everything is fine now and there is no need in going back out to the residence and based on our tariff, what we can offer is the adjustment to adjust her father's bill for the leak. She inquired if Ms. Bartley was suggesting that the District "do away" with the bill. Ms. Bartley responded that she doesn't believe that her father should have to pay that because the meter was going forward and backward and until all this came up his bill ran normally. Until the regulator was installed, every time the District would turn the water off in Dry Fork, her father would have a water leak. Chairperson James stated that now, hopefully, that has been fixed and that is good. She directed Mr. Lowe to explain to Ms. Bartley how the adjustment works. Mr. Lowe addressed Ms. Bartley and stated that the adjustment figures the average for the three months prior to the high bill and anything over that average; it adjusts to \$3.60 per thousand gallons, down from \$7.01 per thousand gallons that is normally charged. Chairperson James inquired if he has calculated what the adjustment would be for her father's bill. Mr. Lowe responded that he had not. She directed him to do that and get that amount to Ms. Bartley, saying that it would adjust it considerably and would be back down to a reasonable amount. Ms. Bartley stated that if it is a reasonable amount she would have no problem paying it. She stated that this time there was not a lot of water to be found that would account for the 32,000 gallons they were billed for. Mr. Potter stated that it doesn't take much to accumulate a lot of usage during a leak. A 1/8th of a gallon per minute over several days can be a significant amount of water and doesn't have to be visible. It really adds up quickly. When you sign up for water, the health department regulates on your side of the meter, and they handed out with your water permit their recommendations for what needs to be on the customer's side and they stipulate a check valve is needed on the customer's side in case of a line break or fire flow or whatever that we have to do on our side to prevent any drawback, and they regulate a cut off valve immediately on the customer's side. She stated that they do have a cut off on their side and have been there since 1991 and the health department was not as strict back then as they are now. Mr. Potter stated that he wasn't here in 1991 but in 1996, when he came, they did have that standard at that time. Chairperson James responded to Ms. Bartley to let Mr. Lowe get her the amount and see what she thinks about that because at this point, that is really all the Board can offer. Mr. Potter inquired where the location of this meter is. Ms. Bartley responded that her father lives at 25 Left Fork of Dry Fork of Marrowbone and his meter is located at the fork near the hydrant. Mr. Potter inquired if the meter was impacted in any way by the flooding. Ms. Bartley responded that it was not flooded and she doesn't know

why it was laying on top of the ground. Mr. Potter stated that he would check into that more as well. Ms. Bartley thanked the Board and left the meeting. Chairperson James inquired if there any further visitors. There were none.

JULY FLOOD UPDATE

Mr. Potter stated the FEMA contracts are underway. Contract #1 is the removal of material at the lagoons at the water plant. The contractor began this week and has moved 20+ loads already. He is keeping track of the cubic yards of material he is hauling out and Mr. Potter said that he has told the contractor that when he gets close to the 2,900 cubic yards in the contract to let him know so we don't go above what we need to. Contract #2 is various flood repairs in the Marrowbone area and the contractor has been working in Harless' Creek and getting that done fairly quickly. He coordinated with the contractor to get the ones we were concerned about freezing off first but is trying not to move him around too much. Contract #3 is various flood repairs in the Raccoon Creek and Kimper areas. The contractor has completed a few of these that had potential to freeze and will get the rest after completion of the Contract #2. The contractor is being very diligent about getting these done quickly before the colder weather hits. Mr. Potter stated that R & M for October was over about \$29,000 but it is going back to some of the issues that have occurred such as the items that the insurance or FEMA would not pick up, the things they depreciated out like the air compressors, and instead of purchasing new ones we have been renovating what we can to get it back in service. We have also had to purchase replacement parts and tools lost in the flood. He will try to taper that off as time goes on and there have been some truck repairs also. This is also the time of year to start evaluating tires and when we have as many vehicles as we have on the road, we have to make sure the guys are safe and four tires is about \$1,000 per vehicle. He also stated that Mrs. Olson has contacted Lori Harley regarding our FEMA money and they have no indication of when our money will start coming down from the state. Mrs. Olson stated that Lori Harley indicated that she would continue to monitor it and soon as there is any progress, she will let her know. Mr. Potter stated he will keep the Board and Mr. Spears updated as well. He also called the Board's attention to the customer adjustments. They are starting to taper back down from the flood requests. We have been following the protocols that the Board set forth on handling the flood requests for adjustments.

APPROVAL OF MINUTES

AGENDA ITEM III

Chairperson James requested a motion to approve the minutes of the regular meeting that was held on October 27th, 2010 and for the special meeting that was held on November 4th as presented. Commissioner Casey made the motion to approve the minutes as corrected. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-11-004

FINANCIAL REPORT – MIKE SPEARS, CPA

AGENDA ITEM IV

Mr. Spears stated that the financials for October look fine and reviewed the highlights of the report with the Board of Commissioners including cash in bank, accounts receivable, plant and service, accounts payable and equity amounts. He stated that operating income was a negative \$148,507 and cash decreased for the month by \$2,700 which is basically a break even month. We made all of our reserve payments into the accounts for KIA and RD as well as the \$100,000 transfer to the sinking fund. He

stated that the District has started paying the R & M expenditures themselves in September and in the month of October we had \$89,654 paid out, of which \$24,126 was flood related items. So far in the month of November we are at \$73,027 and Mr. Potter will give an explanation of that later in the meeting. Chairperson James inquired what the R & M usually runs. Mr. Spears stated that by the contract it is a \$42,000 per month allowance. There will still be some adjustments to be made at the end of December also. Mr. Potter reminded the Board that back in July we were actually under budget on the R & M by about \$22,000 year to date. Typically through the winter the amount goes up some but it goes back down in the late spring and summer and hopefully by the end of the fiscal year it will be back even. Mr. Spears stated that we have a Community Trust Bank payment that was set up as a two year payment with a balloon payment due in December. He suggested that the Board authorize him and one other Board member to negotiate another two year payment on that with a balloon at the end of that time. This loan was originally set up with a five year payout but with a two year payment and a balloon. The PSC will not allow us to enter into a loan agreement over two years so we need to renegotiate this loan for another two year term. He stated that according to Mr. Potter, the District has \$375,000 coming in from Coal Severance for debt service but it may not arrive until April. Mr. Spears stated that he doesn't think it will be a problem to renegotiate the payments. Chairperson James requested a motion to authorize Mike Spears to negotiate the note from Community Trust Bank for another two years and for Chairperson James to execute the agreement when complete. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-11-005

Mr. Spears distributed a spreadsheet of the list of bond payments coming due in December. He stated that these are what the District is setting aside the money each month in the sinking fund to pay. We have sufficient funding in the sinking fund account to pay these bond payments as listed. Chairperson James requested a motion to approve the payment of the bond payments as listed that are due December 1st, 2010. Commissioner Collins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-11-006

Mr. Spears distributed a copy of the 2011 budget to the Board members that is to be presented to the Pike County Fiscal Court, they will sign off on it when approved in their court meeting, then they will send it to the Department for Local Government and then we have a filing in February that this needs to be ready for. Chairperson James requested a motion to approve the 2011 budget as presented and to provide a copy to the Pike County Fiscal Court for approval. Commissioner Friend made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson James	Aye
Commissioner Collins	Aye

Commissioner Friend	Aye
Commissioner Casey	Aye
Commissioner Adkins	Absent

Upon Commissioner voting, the motion was carried and passed.
Resolution 10-11-007

PAYMENT OF BILLS **AGENDA ITEM V**

Ms. Olson distributed copies of the AP report and the Cash in Bank report to the Commissioners. After review, Chairperson James requested a motion to approve the payment of bills as presented. Commissioner Friend made the motion to approve the payment of bills as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-11-008

CUSTOMER ADJUSTMENTS **AGENDA ITEM VI**

After review and discussion of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of seven thousand, eight hundred and fifty-one dollars and seventy-nine cents (\$7,851.79) as presented. Commissioner Collins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-11-009

CONSTRUCTION REPORT **AGENDA ITEM VII**

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

1. Shelby Valley Sewer Project, Phase III, Section 2:

Mr. Hunt stated that the contractor is working on the residential grinders on this project. This project should finish up fairly soon.

2. Long Fork of Virgie Sewer Project:

Mr. Hunt stated that this project is complete and under budget. We have additional funds left over on this project and he has spoken to Mr. Potter about this, and it seems we are nearing capacity of the wastewater treatment plant that serves this area. Mr. Potter reminded the Board that we had asked for funds to upgrade this facility but were not successful. Mr. Hunt still needs to get the final number of how much additional funds are remaining, but it is up to the Board to look at some scenarios and decide how to utilize the funds. He added that the contractor has agreed to use the original bid prices if the Board wishes to proceed with the current contractor with the remaining funding. Chairperson James requested a motion to authorize Jody Hunt and Grondall Potter to develop scenarios for the remaining funds for the Long Fork of Virgie Sewer Project to present to the Board at the regular meeting in December. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-11-010

3. Belfry/Pond Creek Sewer Project:

Mr. Hunt stated that there is nothing new to report on this project.

4. Hurricane Branch AML Water Supply Project (Ridgeline Rd):

Mr. Hunt stated the contractor was delayed on this project due to the bat and blue heron issues but is back on site now. He has been given permission to mobilize and cut some trees down necessary to install the tank site on the project. The contractor did as much as he could until he hit that window; he already has all the main line in, the pump station is up but the pumps are not installed yet...and then had to move off the project until late October through March. The contractor is back working on the tank site and other issues on the project and has been very diligent on working on this project. Mr. Hunt stated that he has a change order for a time extension on this project due to the environmental delays from the Department of Fish and Wildlife. Mr. Potter stated that AML has also been informed and they understand the reason for the delay. It was beyond the contractor's control. Chairperson James requested a motion to approve a change order for the Hurricane Branch AML Water Supply Project to extend the contract time due to the delays on the project caused by environmental issues that were beyond the control of the contractor. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-11-011

Mr. Hunt also stated that all the main line is in and the pump station is built. The access road to the tank was fairly laborious but the contractor does have that in and the tank site is completed. The concrete pad for the tank has been poured and this morning he was notified that the tank is on its way for delivery today.

5. Sycamore of Lower Johns Creek Water Project:

Mr. Hunt stated that the contractor has been working on the extended portion of this project to serve more customers. He was conservative with his numbers for extending the project and withheld about \$40,000 just in case something came up, but the contractor is now utilizing those additional funds to extend the line to extend another 4-5 more customers at the end of the hollow. The contractor is calling him each day and Jody is checking daily to make sure we do not overrun on this project. Mr. Potter stated that this is the project that the Board told him and Mr. Hunt to look at it and give the best option for the remaining money. They extended up in Maynard Fork a good portion because it is a relatively long hollow and at the next break at the forks of Sycamore on the main line, there was a large gap until the next home. So the Maynard Fork way was the best use of current funds and we will have stub outs at each direction and that is one of the areas that we have requested additional funding on the Board's behalf, because Sycamore is one of the areas where there is still a lot of customer base. Commissioner Collins inquired how far we were able to go up in Maynard Fork. Mr. Hunt confirmed we got up to around house #300. Mr. Potter stated that we have it ready so that if additional funding comes down they can just tie on and keep going. Mr. Hunt also stated that he was at the bank this morning and the teller there lives at the mouth of the hollow, and she told him to relay to the Board her thanks for giving her water. She is thrilled to death, bragged on the Board of Commissioners, and also said that the contractor and inspector up there were first class people. They improved the area with their construction instead of damaging it. Chairperson James stated that that is the kind of work the Board wants to see. Mr. Potter stated that he has also tried to work with the fire department on putting in the flush hydrants in places where emergency personnel can have relatively easy access in case of emergencies. Mr. Hunt reminded the Board that we have additional design that is already approved by the Division of Water that goes up further than we are now. Once we get the funding we can just keep on going. Commissioner Collins inquired who the contractor is on this project. Mr. Hunt responded that the contractor is US Rentals and Construction. Commissioner Collins asked Mr. Hunt to relay to the contractor that they appreciate the good work.

6. DOT Project – Pond at Draffin:

Mr. Hunt stated that bids were opened on November 23rd, 2010 for this project. This project is being paid for by the highway department. The apparent low bidder is H2O Construction and he did not bring the bid tab with him today but he believes the low bid was \$603,000+ and that falls within the budget for the project. The state has asked for a letter from the Board of Commissioners concurring with the recommendation from the engineer to award the bid to the low bidder of H2O Construction. The original estimate was almost \$800,000 and this is a really good price for this project. Chairperson James requested a motion to authorize Grondall Potter to draft a letter on the Board's behalf for the department of highways stating that the Board agrees with the engineer's recommendation on the bid award for this project to H2O Construction and

authorize the Chairperson to sign it. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-11-012

7. Scott Fork Industrial Park Water Line Extension:

Mr. Hunt stated that bids for this project were opened and he has not submitted that bid result to the fiscal court as of yet. There was a funding situation with this project. The contractor that was the apparent low bidder was US Rentals and Construction, but he had a kidney stone and called Mr. Hunt right after the bids were opened asking that his bid be pulled due to a mistake in the bid. The contract documents do provide for a contractor to withdraw his bid within 24 hours if he writes a letter saying that he made an honest mistake on his project, as long as the owner (which in this case is the fiscal court) agrees with that statement. The second low bidder is H2O Construction and he is preparing a letter to the fiscal court stating the facts as he knows them and recommending H2O Construction as the low bidder. Mr. Potter stated this will be a ductile iron line going up to Scott Fork for the first phase of the water and will be funded by the fiscal court. This will be the water supply for the new EQT headquarters facility.

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

1. WTP Expansion/Upgrades:

Mr. Potter stated that UMG is still working on the checking the damaged piece of equipment that was flooded in July. When parts and components are repaired or acquired, UMG will continue with the electrical work to complete this project.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

1. Smith Fork of Phelps Sewer Project, Phase II:

Mr. Griffin stated that the contractor installed a few grinders this past month and there are one or two left to be installed. A meeting will be arranged soon with the contractor, Mr. Potter, Jamey Keathley, and everyone concerned with this project for some of the other work that is to be done that the Board agreed on at the previous regular meeting. Mr. Griffin made the recommendation

that the Board authorize the release of part of the retainage that is being held, which is on Phase I of Smith Fork and the warranty period has already expired and they are due the money. He checked the retainage amount from when they finished Smith Fork, Phase I and it is about \$35,000. We still have \$30,000 we are holding for phase II plus a bond for both jobs. He stated that he has prepared the estimate if the Board agrees to go forward with that. Chairperson James inquired if he felt comfortable with releasing that amount to the contractor. Mr. Griffin responded that he felt very comfortable with that and everything seems to be working well on that project. Chairperson James requested a motion to release the retainage to the contractor from Smith Fork Sewer Project, Phase I in the amount of \$30,215.99. Commissioner Friend made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-11-013

2. KY DOT Route 199 Water Line Relocation Project

Mr. Griffin stated that a meeting was held last week and the contractor was in the hospital and not able to be there. The highway department did not have the right of way staked as they were supposed to and the pipe had not arrived. They are planning to begin, hopefully, sometime this week if the pipe comes in and the highway department gets their right of way staked. Mr. Potter stated that this is a relatively small job, except for the pump station. It is at the junction of Route 1056 and Route 199 at Stone. Mr. Griffin stated that there is a high pressure gas line in the area that the contractor will have to watch out for and work around.

DRAWS:

Chairperson James requested a motion to approve the draws as submitted. Commissioner Casey made the motion. Commissioner Friend seconded the motion.

SMITH FORK OF PHELPS SEWER PROJECT, PHASE II			
Contract 2	Coal Severance Funds	\$	4,951.40
Contract 2	Coal Severance Funds	\$	372.56
LMI PROJECT			
Contract 1	Coal Severance Funds	\$	11,003.45
Contract 1	Coal Severance Funds	\$	3.42
LONG FORK WW PROJECT			
Contract 1	Coal Severance Funds	\$	6,236.24

Contract 1	Coal Severance Funds	\$ 148,548.40
SYCAMORE OF LOWER JOHNS CREEK		
Contract 1	Coal Severance Funds	\$ 10,527.99
Contract 1	Coal Severance Funds	\$ 43,464.60
HURRICANE AML PROJECT (RIDGELINE ROAD)		
Contract 1	AML Funds	\$ 9,167.05
Contract 1	AML Funds	\$ 92,885.09

Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-11-014

MANAGER’S REPORT

AGENDA ITEM VIII

1. Monthly Operating Report:

Mr. Potter stated that we had 23 paid taps in October. We completed 2 of the larger LMI taps that were left and we can get about 8 more before expending all of the funds. We were down a little on sewer and water revenue but that is typical for the fall months. Our on line payments and credit cards are still picking up and we do have the web site if anyone wants to go through it to contact us as well. The address is mountainwaterdistrictky.com. It has some neat features and he would like to bring a laptop in here sometime and show the Board the information you can obtain from the web site. You use your account number to utilize many of the features. He also stated that he had spoken to the Superintendent of the Buchanan County Public Service Authority about the transfer of Trace Fork. He went to their Board and they are currently in the same situation we are. Funding is an issue and they can't serve it right now either. They did not completely reject the idea but said if they acquired further funding in the future for the area they would revisit the proposal. Mr. Potter told him that he would put this area on the funding list with the county and if funding became available we would contact him for a master meter if the Board was still interested in doing so.

NEW BUSINESS

1. LMI Project -

This item was discussed under the Manager's report.

2. **Service for Trace Fork of the Breaks by Buchanan County PSA–**
This item was discussed during the Manager’s Report as well.

3. **Johns Creek Daycare/PCFC Sewer Contract –**
Mr. Potter stated that he has not heard anything back from the county on this issue as of yet. Mr. Stratton stated that he had not heard anything either. He stated that he would check into it before the next meeting.

Mrs. Olson inquired if the Board would like to approve the MOR before the meeting goes forward. Chairperson James requested a motion to approve the Manager’s Report as presented. Commissioner Friend made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-11-015

4. **MWD/City of Elkhorn City Water Contract –**
Mr. Potter inquired if Mr. Stratton had heard anything from the City of Elkhorn on this issue. Mr. Stratton stated that he has not had any contact with them. They are currently in a transition period since the election. Mr. Stratton stated that he would call their attorney on this issue.

5. **Big Creek Freewill Baptist Church Billing Issue –**
Mr. Stratton stated that he thought this issue was resolved. Mr. Potter stated that we had notified them of our proposal and wasn’t aware if they had called back with anything yet. Chairperson James inquired if they had agreed to be disconnected from the unit. Mrs. Olson stated that the last time she spoke to them, she referred them to Mr. Stratton’s office. They had been offered the option of the District turning off that system and not billing them for it, but they had to reconnect their sink to their old system, and they did not want to do that. They have said that it is in the ground, they want to utilize it but they don’t want to pay the big bill. At this point there has been no resolution to the issue. Mr. Stratton asked if the District was sending them a bill. Mrs. Olson stated that she thinks we decided to hold on billing them until the issue was resolved. Mr. Stratton stated that they do have a system so they can’t utilize the benefits of the system without paying for it. He directed Mr. Lowe to see if they were on the billing and let him know and he will draft a letter to them and go from there.

6. Henry Clay Sewer Project -

Mr. Potter stated that this project is with the Army Corps of Engineers from about 5 years ago. They gave some funding for the design only. This has been looked at for several years and EDC got the design and has finished it and submitted it to the Corps. They have to review and approve it before it goes on to the Division of Water for approval. After we submitted it to them, they submitted a letter back saying that since it went on for so long, they want an additional \$2,000 for government administration fees; from \$128,025 to \$134,025. This is an increase of \$6,000, which would require the District to agree to an increased cost of \$2,000 as part of that since costs have increased since 2005. Mr. Stratton if the District has money set aside somewhere to pay this increased cost such as a reserve account. Mr. Potter stated that the District has met their match except that now they want more of a fee. He stated that the design is based upon the fusion unit type design like we are looking at now as an alternative sewer treatment type. EDC worked in conjunction with Zoeller and Fusion and KG to develop a nontraditional type of system. It is a good design and he has reviewed it. Chairperson James inquired where that puts us. Mr. Potter stated that they require this additional funding before it will be completed by the Corps and passed on to the Division of Water. Mrs. Olson stated that Carrie Hatfield is still submitting extensions for the funding of this project every year to keep it going. Chairperson James clarified that \$2,000 was standing in the way of starting this project. Mr. Potter stated that there was never any construction money appropriated, this was just the design of the project. Mr. Campoy stated that previous Boards had it on the backburner as well. Mr. Potter stated that the Corps was not pushing it to be completed either. Commissioner Casey inquired what Mr. Potter's thoughts were on what the Board should do in this matter. Mr. Potter responded that it is a good design and has some potential to help open up the more remote problems in the area and if the Corps will give it their blessing, it will open other avenues to look for construction monies through PRIDE and other sources. The government has picked up a major portion of the funding as well. Mr. Campoy stated that it sounds to him like they are saying, "pay us or we are not going to do it". Chairperson James stated that is what it sounds like to her also, and we don't want to lose what we have already put in there. She inquired from Mike Spears, CPA, if he had any problem with the Board agreeing to pay this. He responded that he does not have a problem with it, and it is typical when dealing with the Corps of Engineers. After further discussion, Chairperson James requested a motion to approve the payment of \$2,000 to the Corps of Engineers for increased governmental administration for the Henry Clay Sewer Project. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 10-11-016

7. Ridgeline Road Water Line Extension – Upper Pompey/Jonnican

Mr. Stratton distributed copies of the evaluation form, instructions, grading scale and the chart for the Board members. Copies of the submittals for the Request for Qualifications and Proposals were distributed to the Board members. Mr. Stratton explained to the Board members the scoring process for the submittals and told them they were to score them and return them at the special Board meeting that will be called in December. Mr. Bob Meyer commented that in the pricing part, it doesn't ask for a specific dollar figure; it asks for a percentage of what the estimated cost is going to be. Each engineering firm submitting should be submitting a percentage or a scale of percentages, not an absolute dollar figure. Mr. Potter stated that it is based on the engineer's estimated construction cost not the actual. Mr. Stratton clarified that the lowest percentage would be the best price. Mr. Potter stated that that is not necessarily the case. If one engineer estimates the cost of the project at \$5M and another engineer estimates the cost at \$3M and the percentages were different, it still would come out as a dollar amount. Mr. Meyer interjected that it

is still based on a percentage of estimated costs. Mr. Stratton stated that the Board needs to decide how to decide the best proposal. The first option would be based on total points. Chairperson James inquired how that sounded to the other Board members. The Board agreed that that sounded like the best option. Chairperson James stated that a special meeting would need to be called in December to deliver the evaluations, calculate the scores and award the project design. Mr. Potter stated that the funding for the design is coming from the money that was set aside from CAM Mining in the amount of \$100,000 and the Board received approval to spend it on the design prior to advertising. There is not enough funding for construction at this time but with the design completed, when funding does become available, the project will be "shovel ready" to proceed.

8. Legal Issues

-Executive Session to Discuss Outstanding Litigation and Potential Litigation

Chairperson James requested a motion to go into executive session to discuss outstanding and potential litigation as listed on the agenda. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-11-017

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

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-11-018

Chairperson James stated that there are no issues or actions coming out of the executive session that needs to be done.

Chairperson James recognized Mr. Hunt who wished to add an issue that had been omitted earlier in the meeting. Mr. Hunt stated that on the Long Fork Sewer Project he needs approval for a final wrap up change order for the project. It is a time extension due issues with the contractor

getting power for the lift station from AEP which took longer than expected. The change order amount will actually be a deduct from the original contract amount. Commissioner Casey made the motion to approve the final wrap up change order for the Long Fork of Virgie Sewer Project extending the time for the contractor due to power acquisition issues and monetarily, a deduct from the original contract amount. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-11-019

Mr. Potter stated that an issue that was in the newspaper today and he spoke to Russ Cassady with the News Express about this issue. The District had two booster pump stations vandalized over the weekend. They were locked and both were inside fences. The thieves went through the fences and into the stations. They cut the lock off the door at one and busted the block out behind the building and got in the other. One was located at Little Fork of Little Robinson and the other was at Grants Branch Park. They got through the county's fence and vandalized our station, stole brass and copper from them as well as from the county's community cabin and did an estimated \$10,000+ in damage there. The Magistrate has offered \$1,000 reward toward the arrest and conviction of the vandals. After speaking with Greg May, he is going to approach the Magistrate on UMG's behalf and increase the reward amount \$500 in an effort to find out who did this. He also told Russ for the article that we do get hit occasionally throughout the year but this is a big hit and if anyone sees anyone at our facilities that is not a Mountain Water representative, he gave the District's contact information for them to call. It is not only the loss of monies for repairing the stations, but also the loss of service to our customers that we are trying to prevent as well.

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments. There were none.

ADJOURN MEETING

Chairperson James stated that if there were no further comments, she requested a motion be made to adjourn the meeting. Commissioner Friend made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 10-11-020

MOUNTAIN WATER DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING
DECEMBER 29, 2010
10:00 AM

ATTENDANCE

Russ Cassady, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Brock Kidd, Summit Engineering, Inc.
Tim Campoy, EDC, Inc.
Doug Griffin, Kenvirons, Inc.
Greg Dotson, Inspector
Mike Spears, Spears Management
Dan Stratton, Stratton, Hogg & Maddox
Bob Meyer, Controller, UMG
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Carrie Hatfield, Assistant Financial Manager, UMG

CALL TO ORDER **AGENDA ITEM I**

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, December 29th, 2010 at 10:00 a.m.

Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Kelsey Friend
Commissioner Ancie Casey
Commissioner Prentis Adkins

VISITORS **AGENDA ITEM II**

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

JULY FLOOD UPDATE

Mr. Potter stated that Contract 1 is pretty much 100% complete. The contractor moved about 3,400 yards of material out of the pond area at the water plant. They have submitted a pay request on it that is ready for the Board's approval. There should not be a wrap up change order on that project. The amount is for \$175,000.50 and backup documentation is included with the quantities. Contract 3 is mostly line repair and the contractor is H2O Construction. It is about 97% completed, with a portion that needs permission to get on railroad right of way being the final issue. There will probably be a wrap up pay request in January to finish it up. The current pay request on that contract is \$48,592.60. Contract 2 is the larger one in the Marrowbone area and is also over 90% complete. It is also being constructed by H2O Construction. There are a few items that need wrapped up on that one and the weather is delaying it. The pay request on that one is for \$146,261.92 with backup documentation as well. The inspector has submitted his reports as well. Chairperson James inquired if Mike Spears wanted to address the issue with the line of credit. Mr. Spears stated that the Board is waiting for FEMA reimbursement and we don't know how long that is going to take and we need a way to pay for these \$400,000 worth of contracts while waiting for FEMA funds. Chairperson James commented that now, she believes, it is to be sent in for processing for

reimbursement because it wasn't completed yet. Mrs. Olson confirmed that as correct. Mr. Spears stated that he recommended that the Board secure a line of credit specifically for this, pay the contractors when the work is completed and use the FEMA funds, when it comes in, to pay the loan back. We will be out a little bit of interest but he doesn't think the District has the means to cash flow that kind of expenditure. Chairperson James responded that they just didn't want to get that tight with their cash flow. Mr. Spears stated that at the end of November the District had about \$388,000 cash in bank and this would take it all. Chairperson James inquired if he had a time frame for getting the loan. Mr. Spears responded that the District would need to apply for the loan with a resolution from the Board to go with the application. Commissioner Casey inquired what the standard time is after applying with FEMA, for reimbursement. Mr. Spears responded that is slow and there is not a standard time. Commissioner Casey responded that they dealt with some of that from the flooding in the schools. Chairperson James stated that the county has dealt with this too. Mr. Spears stated that he has been with this District since 1996 and Southern Water since 1988 and he has seen them go fast and he has seen them take 18-20 months to process payments. Hopefully, this one will go a little faster but his recommendation is that the Board approve the line of credit for this work to pay the contractors. The District could pay a partial out of their cash flow, but he thinks that the line of credit is a better choice and then if you have the cash flow later on and want to pay it down, you can do that. Commissioner Casey made the motion to authorize Mike Spears to secure a line of credit for the Board for the flood repairs to be repaid when the FEMA reimbursement comes in. Commissioner Adkins inquired who they get these loans from. Mr. Spears stated that typically Community Trust is who we use. We have tried to shop some of the loans out in the past. In 2008 we got a better rate from Community Trust when we shopped the loan out and he doesn't mind doing that now, if that is what the Board wants. Community Trust has been a big ally of the District when we needed things in a crunch and he is not promoting them (he stated he doesn't personally use them) but they have been a good partner to the District. Commissioner Adkins inquired what we normally pay them. Mr. Spears responded about 4.5 to 5% and they are good to work with us. Commissioner Casey, with a motion on the floor, reiterated the motion to authorize Mike Spears to secure a line of credit in the amount of \$400,000. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-12-006

Chairperson James inquired if we need a resolution to pay the flood contractors if the loan is approved before the next board meeting. Mr. Spears stated that we would need a motion that once the loan is approved, Chairperson James and Commissioner Friend are approved to sign checks to the contractors for 50% of the payment to the contractors. Chairperson James requested a motion to approve a 50% payment once the line of credit is approved. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-12-007

Mr. Potter continued, getting back to the flood update, that we have been correcting some of the issues that were found that didn't get caught before and we have been continuing with making adjustments from the flood per the Board's instructions and he believes they are tapering off.

APPROVAL OF MINUTES AGENDA ITEM III

Chairperson James requested a motion to approve the minutes of the regular meeting that was held on November 24th, 2010 and for the special meeting that was held on December 9th as presented. Commissioner Adkins made the motion to approve the minutes as corrected. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-12-008

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears stated that we had the 2008 loan that matured with a balloon payment and the Board authorized him to get it rolled into another 2 years. The balance on the loan was \$326,388.58 plus a half percent renewal, which is more than fair, and is \$1,600.00. The interest rate will be the Wall Street Journal prime plus 1% which calculates to about 4 or 5%. That is set up for another 2 years with another balloon payment at the end. PSC regulations state that the Board can't do a loan that extends past 2 years without their approval. This gives the Board the maturities so it isn't extended out forever. He thinks that at the end of this 2 year period the Board can pay this note off. The renewal is ready for Chairperson James and Commissioner Friend to sign. They also want a copy of the Board minutes from this meeting. Mr. Stratton stated that the record should reflect that Mr. Spears reported that the renewal has been secured and the Board renewed its approval and authorized Chairperson James and Commissioner Friend to sign the renewal of the loan. Mr. Spears inquired if the Board should go ahead make a motion. Mr. Stratton stated that he would recommend that the Board do that. Chairperson James requested a motion renewing the Board's approval to renew the 2 year loan and authorizing Chairperson James and Commissioner Friend to sign it. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-12-009

Mr. Spears distributed copies of a list of bond payments that are due January 1st, 2011. The Board approved payment of those at the last Board meeting. Once we make the December transfer, the Board will have about \$80,000 left in the account to start out next year. The main reason we still have money in that account is because we had some in there when we started transferring the sinking fund payments. Mr. Spears reviewed that financial report with the Board members. He stated that the cash in bank at the end of November was \$665,091.00. Accounts receivable was \$905,644 and plant and service was \$94,364,261. Accounts payable was \$210,000 and we have equity of \$80,271,000. Revenues for the month were \$740,000 and for the year was \$8,542,180. Operating expenses were \$893,913 of which \$272,000 is depreciation; and for the year is \$9,612,997. Depreciation for the year is \$2,989,573. The loss for the month is \$201,800 and loss for the year is \$1,603,934 which includes the \$2.9M of depreciation. Operating income was negative in the amount \$153,547. Water sales are lower in the winter months than in the summer months. That is part of the reason we don't want to use cash flow because we still have a couple of lower revenue months ahead. Cash flow for the month decreased by \$27,440 and the operating account balance is \$388,616. That number has been between \$350,000 and \$450,000

for the last 6 months. We are still doing transfers to KIA and RD for the reserves and to the sinking fund for the sinking fund. R & M expenditures for November were \$74,027 and of that number \$5,146 was flood related. He called the Board's attention to the flood and R & M expenditures in the financial statements listed by month. Mr. Stratton inquired if that was an exceedance of the R & M budget. Mr. Potter stated that currently it is over and we internally track that as well. About \$15,000 of the overage was flood related in November and \$5,000 in December. Mr. Spears inquired if there were any questions. There were none. Chairperson James requested a motion to approve the financial report as submitted. Mr. Spears interjected as well that we are in the middle of a sales tax audit and they have asked for an extension for the year 2007. He needs the Board to authorize the extension and it will need to be signed before the next meeting. If the Board doesn't sign it a month drops off at a time and it picks up the month on the front end. We have a call in to the auditor and he wants to know what the number is before he recommends the Board to sign it, but he needs authorization from the Board to sign the extension upon his recommendation when he finds out how much it is. Chairperson James requested a motion to approve the financial report as submitted. Commissioner Friend made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-12-010

Chairperson James requested a motion to authorize the Chairperson to sign the extension upon recommendation of Mr. Spears and review of the numbers involved. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-12-011

PAYMENT OF BILLS

AGENDA ITEM V

Ms. Olson distributed copies of the AP report and the Cash in Bank report to the Commissioners. After review, Chairperson James requested a motion to approve the payment of bills as presented. Commissioner Collins made the motion to approve the payment of bills as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-12-012

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

After review and discussion of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of five thousand, forty-seven dollars and thirty-seven cents (\$5,047.37) as presented. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-12-013

CONSTRUCTION REPORT AGENDA ITEM VII

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

1. Shelby Valley Sewer Project, Phase III, Section 2:

Mr. Hunt stated that the contractor has received all residential grinders for this project and he has designated his foreman to begin on that when the weather breaks, hopefully next week.

2. Long Fork of Virgie Sewer Project:

Mr. Hunt stated that this project is complete. We are waiting for the weather to break and the snow to be gone so they can observe for any settling or anything of that nature before the release of this project.

3. Belfry/Pond Creek Sewer Project:

Mr. Hunt stated that there is nothing new to report on this project.

4. Hurricane Branch AML Water Supply Project (Ridgeline Rd):

Mr. Hunt stated the contractor has been slowed by the weather. He has been working on connecting the main line from the tank to the line along the road. He has completed the bore under Ridgeline Road and the skid tank is in place and the contractor needs to complete some

minor work in the pump station. The contractor should begin installing meters on this project very soon. If the weather cooperates, we should be able to close this project out at the January or February meeting. Mr. Potter reminded the Board that this was the project that was held up in the fall due to the Indiana bat. Mr. Hunt stated that the contractor had to wait until October before he could start the tank work and then he can't set meters on a dry line. So he had to wait until all other work was done before he could start putting in the meters.

5. Ridgeline Road Water Supply Project (Jonican & Upper Pompey):

Mr. Hunt stated that design has begun on this project and he has a contract that he has brought to the meeting for approval that reflects the numbers that were discussed in the last special meeting. It is a standard contract; the same as all were done in the past except that it just says design only. He knows the District has a set structure of the price breakdown; 20% when sent to DOW, 20% when approved by DOW, 10% when the contract is awarded and so on. They divided this contract up into 50%-50%; 50% paid when it is sent to DOW and 50% when it is approved by DOW. Chairperson James requested a motion to authorize and approve the Chairperson to sign the engineering contract for the Ridgeline Road Water Supply Project (Jonican & Upper Pompey areas) subject to legal counsel's review and approval under the conditions outlined by Mr. Hunt that deviate from the standard engineering contract. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 10-12-014

6. Sycamore of Lower Johns Creek:

Mr. Hunt stated that this project is completed except for seeding, cleanup and pavement replacement. The contractor was able to extend the project and serve an additional 16 or 17 customers. There are a lot of happy people up there.

7. DOT Project – Pond at Draffin:

Mr. Hunt stated that this project was bid but it has not officially been awarded as of yet. He thinks DOT is waiting on some final approvals from Frankfort before they give the okay and award it. Commissioner Adkins inquired when they plan to start on this project. Mr. Hunt stated that as soon as they are given approval on this project, we will start construction. Mr. Potter stated that he has been told they plan to start it in March or April because we were going to try to have the line relocated prior to them beginning the work. Mr. Hunt stated that we had this project designed for 2 years and didn't hear a word about it, and then a couple of months ago they finally said "hurry, go,go,go".

8. Scott Fork Industrial Park Water Line Extension:

Mr. Hunt stated that we are waiting for the weather to break before this work can begin.

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

1. **WTP Expansion/Upgrades:**

Mr. Potter stated that UMG still needs to work out issues with the parts that got flooded and when it is done, Mr. Campoy can submit the as-built maps and we can close this project out.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

1. **Smith Fork of Phelps Sewer Project, Phase II:**

Mr. Griffin stated that the weather has not cooperated very much in the last month and the contractor is down to needing 2 grinders and about 300' of line installed to being finished. The contractors have started on gathering materials for replacing the rail system at the Billy Dotson station and getting the fence up.

2. **KY DOT Route 199 Water Line Relocation Project**

Mr. Griffin stated that this project has begun in the last couple of days.

Mr. Griffin also stated that the DOT Airport Line Relocation is also proceeding. They are waiting for the state to approve the waste area that they turned the stability calculations on.

DRAWS:

Chairperson James requested a motion to approve the draws as submitted. Commissioner Adkins made the motion. Commissioner Friend seconded the motion.

SMITH FORK OF PHELPS SEWER PROJECT, PHASE II

Contract 2	Coal Severance Funds	\$	5,259.20
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SYCAMORE OF LOWER JOHNS CREEK

Contract 1	Coal Severance Funds	\$	2,807.47
Contract 1	Coal Severance Funds	\$	46,394.20

HURRICANE AML PROJECT (RIDGELINE ROAD)

Contract 1	AML Funds	\$	40,649.93
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Contract 1	AML Funds	\$	2,750.11
PRIDE ON THE RIVER			
Contract 1	Coal Severance Funds	\$	10,893.98
Contract 1	Coal Severance Funds	\$	1,819.19
Contract 1	Coal Severance Funds	\$	201.36
TELEMETRY			
Contract 1	Coal Severance Funds	\$	20,594.00
Contract 1	Coal Severance Funds	\$	23.98
Contract 1	Coal Severance Funds	\$	352.25
Contract 1	Coal Severance Funds	\$	6.39

Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-12-015

MANAGER’S REPORT

AGENDA ITEM VIII

1. Monthly Operating Report:

Mr. Potter stated that we had 42 meters changed out due to being stuck, damage or tampering. We are getting a lot of theft of service and illegals. We had 17 reoccurring persons and as they go past 2 or 3 times of being illegal, do we disconnect them from the main? It is getting to be a bigger issue as time goes on. He stated that he needs to talk to Mr. Stratton about theft of meters. According to the District’s tariff, when people sign for the water, they are saying that they will make sure that it is accessible. It is on their property and they have to make sure that it is there. Usually we bill them if the meter disappears \$176 for a new meter. The property owners are saying more and more that they didn’t steal it and should not be responsible for it. It is becoming an issue and he needs to speak to Mr. Stratton about the handling of those kinds of matters. Commissioner Casey inquired what is being done with the meter. Mr. Potter responded that people steal it and take it to another location where they have been disconnected. It is not the homeowner; it is someone actually stealing the property. We can’t track them because they cut the radio read sensors off. Mr. Stratton inquired if that could be covered by homeowner’s insurance. Mr. Potter stated that he doesn’t know but we have had 2 or 3 of these come up this month and 3 or 4 last month. Chairperson James stated that we need to look at that and see what can be done about that. Mr. Stratton stated that we would almost need to change our tariff to make an exception and then it becomes an issue on a case by case basis where people may start taking their own meters. Mr. Potter stated that we have been billing the customers and the Board may get some reports from customers objecting because they didn’t steal it. Mr. Stratton inquired if there is an issue with putting a lock of some kind on the meters. Mr. Potter stated that the meters are locked in but they cut the locks off. They are wired in and seal tamper proof, but they break those. Mr. Potter stated that we also had about a 3% sales decrease in November and a small increase in sewer over the previous month. We are still getting a lot of payments made in the office, through the mail and online. He stated that he looked in to the issue with the sale of the property at the old Marrowbone WTP. Lois Smith looked up and found the deed and seen how it

was transferred and is getting the info to Mr. Stratton. We are looking into the exact way to dispose of surplus property and he will work with Dan on the real property to see how we need to proceed with that. The bids for the utility crane truck were opened at Dan Stratton's office. We had one (1) responsive bidder. That was for the used truck we had looked for with a crane as a replacement boom truck. If the Board wants to award that we will get with Mike Spears and procure purchase of that. New trucks like this one run about \$80,000-\$90,000 and this one was \$32,000. It is in pretty good condition with a new transmission and the boom is excellent and will serve our needs really well. Chairperson James inquired if the District has the funds to purchase it. Mr. Spears inquired if this falls under where UMG pays the payments. Mr. Potter stated that this is the case where the District secures the loan and UMG pays the payments because it is part of the fleet. Commissioner Casey inquired if it has 152,000 miles on it. Mr. Potter stated that it has a new transmission and the engine is strong. He went and looked at it and thoroughly put it through its paces and it ran well. It has lots of power and will do very well for what we use it for. It is something we need here at the District and we have had one for many years. This vehicle is way better than what we have had for this purpose. It is at Craig Myle Trucks in Sparta, Kentucky near the race track. It is a Florida vehicle and has no rust. Commissioner Adkins inquired if it had a 6.0 liter engine. Mr. Potter stated that he wasn't sure but he checked the engine and it hasn't been in to. Commissioner Adkins responded that the 6.0 liter engines are a powerful engine but they aren't worth fifty cents. Mr. Potter stated that we only use this vehicle about once a month or less, but when we need it, we need it. It is for pulling pumps and it he believes this is a pretty good deal. Commissioner Collins inquired what we have been doing when we needed one. Mr. Potter stated that we have been scheduling with the City of Pikeville to borrow theirs when possible. Commissioner Casey stated that we need our own. Chairperson James requested a motion to approve the bid and give Mike Spears the authorization to secure financing. Commissioner Adkins stated that he wouldn't buy it if it was a 6.0 liter engine because he bought a new one and it stayed in the garage. He got rid of it and it may be a power stroke and 2004 and some of them had it and some didn't. Commissioner Friend stated that that was the first year they went from a 7.3 to a 6.0. Mr. Potter stated that he wasn't sure without pulling the full spec sheet but he can go upstairs later and check for the email and see if it states if it is a 6.0. Mr. Potter stated it is up to the Board and he can go back and do more research and check for another one that is not a 6.0. Commissioner Adkins stated that if it is not a 6.0 it is a good deal, but if it is he would say "no" to purchasing the vehicle. Mr. Stratton stated that the Board can approve it subject to verification of it not being a 6.0 liter engine and if it is the Board can reject the bid. Chairperson James suggested that the Board pass on this issue until later in the meeting and take it up again when we know for sure. Mr. Potter stated that no LMIs were done during the month of November because of the weather and we can probably do 6-8 more when the weather breaks. Mr. Potter continued with comments of items under new business. He stated that with regard to Johns Creek Daycare, the county requested that we look into other alternatives for them. He has contacted the Health Department and they are going to look at a different type of unit or see what the Health Department will allow them to do and he will take the consumption analysis to them on how much water is being used there. With regard to the City of Elkhorn contract Mr. Stratton stated that we have been told by their council that we need to wait until the new administration is in place before proceeding with this issue. We will be ready when they are to discuss it. With regard to the Big Creek Freewill Baptist Church issue, Mr. Stratton stated that he has written them a letter and has not received a response. What we are looking at is that they are going to have to make a decision as to whether or not they want to pay for it or be disconnected. Basically what happened was they came to the conclusion that they didn't want to pay for it but they didn't want to be disconnected after they said they could be disconnected. So we have written them a letter saying that they need to make the choice and will try to contact them again in January and see what can be worked out. Chairperson James inquired if we need to give them a time frame. Mr. Stratton stated that what will trigger something is if we have to sue them for a past due bill once they get past that state and treating it like a delinquent account. Mrs. Olson stated that they may already be to that point with the sewer. Once it hits a 2 month bill they go into disconnect mode but we have a hold on it right now because it is in dispute and when the Board tells us to go ahead we can. Mr. Stratton stated to hold on it until he sees what they come back with and then he will come back with a recommendation. Chairperson James inquired from Mr. Potter if that is all he has under his Manager's Report. Mr. Potter responded that his report was concluded. Chairperson James then asked for a motion to approve the Manager's Report as presented.

Commissioner Collins made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-12-016

NEW BUSINESS

- 1. LMI Project -**
This item was discussed under the Manager's report.

- 2. Johns Creek Daycare/PCFC Sewer Contract –**
This item was discussed under the Manager's Report.

- 3. MWD/City of Elkhorn City Water Contract –**
This item was discussed under the Manager's Report.

- 4. Big Creek Freewill Baptist Church Billing Issue –**
This item was discussed under the Manager's Report.

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

Chairperson James requested a motion to go into 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	Aye
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. 10-12-017

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

Chairperson Rhonda James	Aye
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. 10-12-018

Chairperson James stated that the first item to address is the truck bid. Mr. Potter stated that he confirmed that it is a 6.0 liter so whatever the Board wants to do on that is fine. Chairperson James requested comments from the Board on this issue. Commissioner Adkins stated his opinion is not to purchase it but that it just his opinion. Chairperson James stated that in that what Mr. Potter was saying is that it is not something they use on a daily basis. Mr. Potter stated that when we need to pull pumps and don't have one, he has to try to schedule to borrow UMG Pikeville's and we have been without one for about a year and have been looking for one ever since. He continued that the last one that the City bought was about \$90,000 and he agrees with Commissioner Adkins; we have had some issues with 6.0 liters that were here before. That is why he and Randy Conley really looked at the motor when they inspected the vehicle. It may have an issue later on but what he was looking at is that it has a 6,000 pound wench on it that they tested out and it will move anything the District has. The old one wouldn't even service on our larger stations. We have to rent a crane when we have to pull a large one and that costs about \$400/hour. He has put it out there looking around and only got the one responsive bid, but we can put it out there and look again. There is a 30 day warranty on the vehicle. Commissioner Adkins stated that a friend of his told him the best thing he could do when he bought that 6.0 liter truck is to get rid of it. It had 30,000+ miles on the transmission when it went out in it. It stayed in the garage more than it was on the road. He votes no on the truck. Chairperson James inquired what the other Commissioners thought about the purchase of the vehicle. Mr. Stratton suggested making a motion to see if the Board wants to do that and put it on the floor officially. Commissioner Adkins made a motion to reject the bid for the utility crane truck. Commissioner Friend seconded the motion. Mr. Stratton stated that now would be the time for discussion of the motion. Commissioner Friend stated that he felt the same as Commissioner Adkins; he has gone through 2 of them. Commissioner Casey inquired what the District will do in the mean time if we have to have it. Commissioner Adkins stated that if that truck goes down it will be a lot of money to fix it and his suggestion is to look for another truck. Mr. Potter stated that he didn't care one way or another how the Board decides to proceed, but we have been looking for a long time and they are expensive, even for the used ones. This was the cheapest used one he could find with the least miles on it. Some are 200,000 miles or more, Chevys and all, and he can't find more than 4 or 5 of them and usually they come out of the South and usually get snapped up pretty quick. The only reason we didn't spec out a brand new one is that he didn't really think the Board would want to invest that much for one of this nature that we only use occasionally. It may be used 3 times in one week or once or twice a month. It is at the Board's discretion. Commissioner Casey inquired if this was the first time he had put this out for bid. Mr. Potter responded this is the second time, actually. Commissioner Casey inquired if this was the only response we have had. Mr. Potter responded in the affirmative. Commissioner Adkins inquired if when we find one, do we ask them if they want to bid on it. Mr. Potter stated that we put the ad in the paper and then notify them that it is out for bid and let them know the specifications. Commissioner Casey inquired how long we would need the truck that we have to rent for \$400/hour. Mr. Potter stated that it

usually takes at least 2 hours. This will serve all our needs for the smaller and larger stations. Commissioner Adkins inquired what the rating is on the wench. Mr. Potter responded that it is 6,000 lbs and is a hydraulic crane that has a good extension on it. Mrs. Olson stated that it might be notable to mention that we do have an on staff mechanic who is familiar with those types of engines. Mr. Potter stated that we have had issues with our other diesels. Commissioner Adkins stated that we don't want to keep throwing money into a vehicle that has inherent problems. Chairperson James stated that the thing that concerns her is that the District is without. Commissioner Casey stated that he doesn't like our people in this District to be without anything that they have to utilize to do a job. Chairperson James responded that we have looked for so long for something like this. Commissioner Collins inquired if UMG was charging for the use of their truck. Mr. Potter stated that since it is UMG's they do not charge us to use it, but scheduling it is an issue. They tend to work with us well when it comes to emergencies but it is still a scheduling issue. Mrs. Olson inquired if Craig Myle would hold that price for about 30 days to give the Board or Mr. Potter a chance to look for another one. Mr. Potter responded that he didn't know. Commissioner Friend inquired if one of them could look for one and report back to Mr. Potter. Commissioner Casey stated that it still needs to be bid out properly. Commissioner Adkins stated that he knows we need one but to him there is no use in buying something that we know probably will cause us a problem when we could look for something different and not spend that money. It is the people's money we are spending and from the experiences we have had with them and what he has seen, the truck is fine but the engine is not. He would rather pay more for something and get something that will do the job. Mr. Potter stated that he will continue to arrange the use of Pikeville's truck and for the next month he will do another search and the Board is welcome to do the same. Chairperson James stated that we have a motion and a second to reject the bid for the purchase of the used utility crane truck. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-12-019

Commissioner Casey directed Mr. Potter to let the City of Pikeville know that we appreciate their kindness.

Chairperson James yielded the floor to Mr. Dan Stratton. Mr. Stratton stated that as the Board knows, we have been working through a new agreement with UMG and we are 98% there. In the interim we have received what is being called a "Draft Audit" from the State Auditor's Office. The Draft Audit is a confidential document and has been handed to the Board for the purpose of determining whether or not there are any factual errors or any mistakes in the report that the Board would want to comment on before it came a final report. Having received the report as a draft, we have approached UMG and requested a 30 day extension of the initial contract that was sent to end on December 31st so that the Board could have sufficient time to consider the recommendations made the State Auditor's Office as they would possibly impact our contract with UMG. To that end he has prepared for their consideration a contract extension draft which has been reviewed by UMG and they have consented to in form subject to the Board's approval. Chairperson James stated that she has given her responses but none of the other Board members have been able to comment or respond as of yet. She inquired if UMG had been contacted to see if they were agreeable. Mr. Stratton stated that according to Mr. Meyers, they are. Chairperson James stated that one suggestion she may have is that the Board may not necessarily need the 30 days and she was wondering if the Board, Mr. Stratton and Mike Spears would be agreeable to hold a special meeting to discuss the details of the contract once we get this 2% worked out and go ahead and have a special called meeting prior to that 30 days so that we can hash everything out. Mr. Stratton stated that he thought that would be very appropriate because at a special meeting, the Board could then take the time necessary to review each section of the contract and if there are any issues or concerns, they can be discussed at the time. Several Commissioners expressed their need for additional time to review all of the information that has been distributed to them over the holiday. Mr. Stratton stated

that a motion was needed to approve the contract extension for the UMG contract for an additional 30 days which would extend it from December 31, 2010 to January 31, 2011. Chairperson James inquired if we were to come to an agreement before that date, could we call a special meeting and approve the contract. Mr. Stratton stated that on page 2 paragraph 3 it states "all of the provisions of the contract as amended shall remain the same until January 31, 2011 unless a new agreement is entered into prior thereto." He stated that for the record, the audit has been given to the Board and their attorney as a draft; it is confidential and is not a public document for release at this time and that will occur sometime later after we give them our questions or comments. Chairperson James requested a motion to approve the contract extension amendment with UMG up to 30 days. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 10-12-020

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments. There were none.

ADJOURN MEETING

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

Chairperson Rhonda James	Aye
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. 10-12-021

MOUNTAIN WATER DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING
JANUARY 26, 2011
10:00 AM

ATTENDANCE

Jack Hamilton, JJ Hamilton Trust, 4047 E. Shelbiana Rd, Pikeville, Ky.
Russ Cassady, Appalachian News Express
Bruce Coleman, BMM, Inc.
Jody Hunt, Summit Engineering, Inc.
Greg Dotson, Inspector
Mike Spears, Spears Management
Dan Stratton, Stratton, Hogg & Maddox
Bob Meyer, Controller, UMG
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Assistant Financial Manager, UMG

CALL TO ORDER **AGENDA ITEM I**

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, January 26th, 2011 at 10:00 a.m.

Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Kelsey Friend
Commissioner Ancie Casey
Commissioner Prentis Adkins

Chairperson James was absent for the beginning of the meeting and Ancie Casey made the motion to appoint Kelsey Friend as Acting Secretary for this meeting because John Collins, as Vice Chairperson, is to chair the meeting. Commissioner Adkins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-01-004

VISITORS **AGENDA ITEM II**

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

JULY FLOOD UPDATE

Mr. Potter stated that we are still waiting on the FEMA funding. There is no word yet and Chairperson James has contacted them as well and she has not heard back yet. The contracts that were let for flood repairs are waiting to wrap up on a few items when the weather improves on contracts 2 & 3. One pay request has already been paid. One of the contract areas is still dealing with the railroad on coordination to get on their right of way to do the work needed and the weather has not cooperated either. The requests for adjustments have dropped off from the flooding. Vice Chairperson Collins commented that this was the reason why the District got the line of credit. Mr. Potter responded that it was to pay for the contracts that have been let while we are waiting on the FEMA funding.

APPROVAL OF MINUTES

AGENDA ITEM III

Vice Chairperson Collins requested a motion to approve the minutes of the regular meeting that was held on December 29th, 2010 as presented. 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	Aye
Commissioner Adkins	Aye

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-01-005

At this time in the meeting, both a visitor and Chairperson James arrived at the meeting. Vice Chairperson Collins turned the meeting over to the Chairperson. Vice Chairperson Collins asked the visitor to state his name. He stated that his name is Jim Hamilton and he has a business at the old Shelby bridge where the old Happy Mart is. There is a pizza store there now and he has had trouble with the water. Mountain Enterprises gets water from the hydrant and every time they do that his usage goes up anywhere from 8,000 to 10,000 gallons. Twice it has been corrected but this time they won't correct it. They got more water this time and he has noticed three (3) truckloads and his usage went up 10,000 gallons. If you goes back on his bill you can see how it has fluctuated. He stated that he doesn't know if they are hooked into his meter or what. There is no meter to that hydrant and he doesn't know what is going on. Commissioner Collins stated that it has to go through a meter somewhere before it could register. Mr. Potter stated that he can look into it but Mountain Enterprises is not reporting getting any water to us either. Chairperson James stated that Mr. Hamilton came to see her yesterday and that concerns her because he is saying they are getting close to 10,000 gallons when they take water. Mr. Hamilton stated that this last time they took three (3) truckloads and each one looked like about 3,000 gallons each. Commissioner Adkins inquired as to when that was. Mr. Hamilton responded that that was in November and he has been arguing and making trips and phone calls here about this. He was told they were checking the meter and he has never seen anybody there checking the meter and he has checked it himself and it seems to be accurate. Commissioner Collins inquired if he knew who these people were. Mr. Hamilton responded that it is Mountain Enterprises and someone here told him that it was on a "trust" basis and when they call and tell how many gallons they are going to get, then they (the District) bill them for it. Mr. Potter stated that we will have to check into it. Some contractors we have that they know that they have a 2,000 gallon tank such as the county, fire departments, etc. and some, if they don't know how much they will be getting, we put a hydrant meter on the hydrant and meter it to the truck. He stated that as far as he is aware we are not billing Mountain Enterprises for any water. Kevin Lowe, Finance and Office Manager, confirmed that we are not billing them for any water. Commissioner Adkins inquired how they can do that. Mr. Hamilton stated that they were doing it early in the morning because they weren't open until about 11:00 and he rented it out to someone else and they started opening early and that is how they found out that they were coming out early and getting three (3) truckloads. Now every time they come, his water bill goes up. Mr. Potter stated that he cannot understand that. Water goes through a meter and is recorded, and if they are pulling off the hydrant, he doesn't know how that could affect his usage, but he will look into it and see. Mr. Hamilton stated that maybe it is a coincidence but every time they get on that hydrant his bill goes up. Commissioner Casey stated that the meter needs to be

changed. Maybe it is malfunctioning. Chairperson James clarified that they came out and checked his meter. Mr. Hamilton responded that he was told that and he was also told it was accurate and he checked it himself and it seems to be accurate. Commissioner Collins stated that this should not affect his meter at all and it needs to be checked. Mr. Potter stated that it is either a coincidence or something else is going on because he is not tapped off the line where the hydrant is. The line comes up and goes up by the building and the meter is tapped off where you go up by the hollow of Haley Drones up toward the tank. Mr. Hamilton stated that during that time they were not using any more water than they normally use unless someone was coming behind the building and stealing it out of the spigot. Commissioner Adkins inquired how many times it has been high like that. Mr. Hamilton responded that it has been three (3) times and has been going on for twenty (20) months. Chairperson James recommended that the Board give Mr. Potter time to look into the situation. Mr. Potter stated that he doesn't see how that is affecting his using. He has a hydrant here on the lot and the building's meter is separate and using the hydrant doesn't affect the meter usage. Mr. Hamilton is tapped off the same main but he knows where the hydrant is and where the meter and he can't figure that there is a correlation between them. Mr. Hamilton stated that it never did that until they started getting water from the hydrant and he doesn't know what is going on. If they are coming and getting water and not turning it in then they owe the District a water bill, but he stated he is paying their water bill seems like. Mr. Potter stated that he would look into and that is not the only place we get theft of service throughout the system; we have about 1,500 hydrants. Chairperson James stated that we do appreciate people coming in and letting us know about that though. Mr. Hamilton stated that he knows when they have been there because a lot of times they won't put the plug back in. He stated that his usage is twice what they are actually using because they have been watching and counting it. The little restaurant only has one bathroom and one sink and he knows it is not using 17,000 gallons a month. Mr. Lowe inquired what name is on the account. Mr. Hamilton responded that he believes it is in the name JJ Hamilton Living Trust. Mr. Potter asked Mr. Lowe to pull a history on that and he would go out and investigate it. He also stated that we would make contact with Mountain Enterprises as see what can be done as well. Mr. Lowe inquired what his phone number was and he responded with his information.

Mr. Hamilton continued by saying that he also has the health department telling him that there is a state law that a meter can't be but so many feet of a sewer tank or septic system. Mountain Water has a meter about five (5) feet from his sewer system. Mr. Potter stated that we don't necessarily investigate that. It goes by property owner and we don't look subsurface. If someone comes out and says "set my meter there"; and he knows that was done years ago with Happy Mart; if it's there and he is talking about that location and has to be relocated it would be at your (Mr. Hamilton's) expense. Mr. Hamilton stated that it isn't him but someone put a meter on his property because that meter goes to someone else's house. It is located 1 mile above Chloe Creek on the left. The people that lives there has cut the sewer line in two and are draining the sewer line right down on your meter and it is going into the meter box. Mr. Potter inquired if he had the address. He stated that his address across the street is 3977 E. Shelbiana Road. He didn't know about this ordinance until the health department informed them Monday that the meter has to be relocation or the sewer system one. He stated that he would just as soon take the sewer out because he doesn't have any use for it. Mr. Potter stated that he would check into that also. He stated that the sewer system goes to a rental house that he doesn't own but it is his sewer system. He stated that you can't disconnect anybody until they cut it in two and drained the sewer out and then the health department made them put it back together. Now he checked yesterday and they have cut it in two again and sewer is running into the water meter. He stated that he has a car lot right above that and if someone comes up there he can take them right to where it is. He stated that he doesn't know how to get the meter moved off his property if he wanted to use that property. They didn't get permission to put it on there. Mr. Hamilton stated that the meter has been there awhile. Mr. Potter stated that Mr. Hamilton needs to let them look into it. Mr. Stratton, MWD Legal Counsel, inquired from Mr. Hamilton if he can establish a property line with a survey. Mr. Hamilton stated that he finished it yesterday and he wanted to do that before he came to the Board. Mr. Stratton stated that when they come to look at this, he needs to show them that. Mr. Potter stated that it is not usually in a deed. If you bought a property, someone at one time may have given the easement for someone to set a meter there. He will look into it and see what occurred. Mr. Hamilton thanked them and left the meeting.

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears reviewed the financial statements with the Board. He reminded the Board to keep in mind that the financials won't have the audited adjustments in it yet. There are still some adjustments to be made

We will try to fit in another column to give the Board an idea of what each expenditure is specifically for. Chairperson James stated that there are some things listed as "hand tools" on the AP list under R & M. She inquired if those are things that Commissioner Casey had questioned if those qualify as R & M. Mr. Bob Meyer responded that it is excluded, depending on dollar amount, it is going to be an R & M expense. If it is a large dollar amount then it would be fixed asset. Mr. Potter stated that anything over fifteen hundred dollars (\$1500) is a fixed asset, but the tools that you have here on the list is replacement of the ratchets the we got that we have to have. Mr. Meyer stated that the differentiation to him is that we have always had hand tools as part of repair and maintenance expense and it is a question of what is actually an expense in the context of buying a certain tool or whether it is a fixed asset. It actually gets recorded on... Mr. Stratton interjected that the difference is this; if MWD is replacing a MWD asset that is under UMG's obligations under maintenance and comes straight out of your pocket. When you throw it under R & M, MWD is reimbursing UMG for that expense and therefore is out of our pocket. So, R & M as he understands it under the contract would provide that UMG is replacing parts out of the system...the desk...whatever. These tools are capital. Mr. Meyer responded that in terms of consumables, it has always been handled that way, that it is considered a consumable and not a fixed asset. Mr. Potter stated that the fact is that if the contracted ended tomorrow and he left and took the tools he bought through UMG, the District would not have anything to work with. The way it has always been is that consumable tools have always been R & M. Mr. Stratton stated that UMG has an obligation to replace the tools that were preexisting here under the asset list. Mr. Meyer stated that we have an obligation to maintain trucks and everything else too, but that is also part of R & M. Mr. Stratton stated that this was one of the issues that arose, an understanding of what really fell under R & M...which ratchet, etc. He suggested that they sit down and meet and look at that with Mr. Spears and Chairperson James and see how to work this out. Mr. Meyer stated that maybe he and Mr. Spears should get together and work out some kind of cut off number in terms of what is expendable and what is considered a fixed asset. Mr. Stratton responded that a fixed asset is defined as anything over fifteen hundred dollars (\$1500)...that is a capital asset under the contract. So fifteen hundred dollars (\$1500) is the line of demarcation of what is a capital asset. This is a gray area that needs to be clarified. Mr. Meyer stated that the only point he is trying to make is that for 5 ½ years of the contract, small and expendable tools have been considered consumables that have been handled through the repair and maintenance budget and it was not his understanding that there was an intent to change that. It was agreed that Mike Spears and Bob Meyer would meet and discuss and clarify this issue. After review, Chairperson James requested a motion to approve the payment of bills as they were presented for today. Commissioner Friend made the motion to approve the payment of bills as presented. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-008

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

After review and discussion of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of three thousand, four hundred, sixty-nine dollars and sixty-four cents (\$3,469.64) as presented. Commissioner Collins inquired about the two big adjustments on the list. Mr. Lowe responded that the two large ones both have sewer which cause the adjustment to be a larger amount than with water only. Commissioner Casey made the motion to approve the adjustments as presented. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-009

CONSTRUCTION REPORT **AGENDA ITEM VII**

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

1. Shelby Valley Sewer Project, Phase III, Section 2:

Mr. Hunt stated that the contractor has installed the residential grinders and is making the final house connections on those with 4" PVC. He spoke to him yesterday and he anticipates it finishing up within the next 2 to 3 weeks. We have a pay request this time and should have one more next time and everything should be finalized on that, but you never know. This is a stimulus project and it is probably a little different than the other ones. He thinks DOW has to come down and do a bunch of visits and walkthroughs and things. Mr. Spears stated that he spoke to Kasey this morning on this project and she said that what is happening right now is that they are coming in at the end and doing what should have been done at the beginning. She said they issued the money without any guidelines and they changed it three (3) months in and so they didn't know. Mr. Potter stated that now that the project is done you have to adhere to guidelines they didn't have when they started.

2. Long Fork of Virgie Sewer Project:

Mr. Hunt stated that this project is complete. We are waiting for the weather to break and every day we get a little bit of sunshine, the snow starts to melt, then we get another snow storm. We really need the ground to be a little bit dry so we can go and see if there is any settlement out there before we can do our final walkthrough.

3. Belfry/Pond Creek Sewer Project:

Mr. Hunt stated that there is nothing new to report on this project.

4. Hurricane Branch AML Water Supply Project (Ridgeline Rd):

Mr. Hunt stated the contractor has got all the main line in and has roughly 40% to 50% of the pump station completed. He has 98% of the tank completed. Basically all the contractor is waiting on to finalize his work on the pump station and tank is power. The power company is supposed to be there February 2nd. Once he gets power on the station and gets the pumps up and running, he

can do the pressure testing, which has to be done before he can begin setting meters and tapping the line. Mr. Potter stated that has always been one of the policies of the District that contractors are not allowed to do dry taps on the line. The line must be pressurized because there is a greater chance of having a split or crack when you dry tap the line. So until he can get the line pumped up and tested he can't start setting bases. He has made a couple of subtle pushes with AEP to try to get the power hooked up sooner.

5. Ridgeline Road Water Supply Project (Jonican & Upper Pompey):

Mr. Hunt stated that design has begun on this project and the contract has been executed. The design is about 50% in and have a preliminary KY pipe model done and working. We found a good tank site on the project which is actually near a gas road and gas well, so tank access is already taken care of.

6. Sycamore of Lower Johns Creek:

Mr. Hunt stated that this project is complete. We still need to do a walkout on it. There is a minute amount of money left over on this project, about two to three thousand dollars (\$2,000 -\$3,000). Typically you have that, but instead of putting line in the ground that doesn't serve anybody we usually utilize that money to purchase additional valves or additional pipe for the District to serve that line. Commissioner Casey inquired how long it was going to be before the bases are put in. Mr. Hunt stated that the meter sets are in now and it should be turned over to the District in a couple of weeks. Mr. Potter stated that as soon as it is turned over, we will go out and install the meters. Commissioner Casey inquired who will turn it over to the District. Mr. Hunt stated that that will be him after the walkout it done. It has already been pressure tested and the bacteriological sampling has already been done but we have to go out and make sure the contractor doesn't have any sunken areas, has fixed driveways back the way they are supposed to be fixed, the valves are upright and they have good concrete around them, and just the minor things that needs to be done before the project can be released. Mr. Potter stated that as soon as the weather breaks we are going to arrange to look at it when it has dried up some. Commissioner Casey stated that those people are really appreciative of this project. Mr. Hunt stated that we basically doubled the size of that project. Commissioner Casey responded that he knows they did and it has been a big help to them.

7. DOT Project – Pond at Draffin:

Mr. Hunt stated that they have received the approval from the highway department and the contractor is securing his bonds and insurance for this project. We are probably going to have a preconstruction meeting within the next week or so, issue the contract to the contractor and issue the notice to proceed. All the easements are in place and now and it ready to go to construction.

8. Scott Fork Industrial Park Water Line Extension:

Mr. Hunt stated that we are waiting for the weather to break before this contract can be awarded and work can begin.

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

1. **WTP Expansion/Upgrades:**

Mr. Potter stated that UMG's electricians have been at the plant and we have met with AEP about getting the power drop for the new electrical set up for the pump. Randy Conley met with them and we are going to build an outbuilding to house the unit that was on the lot during the flooding. We have about got that straightened up to where it is ready to be operable enough to start pulling wires and trying to wrap that part up and utilize what money was left over for the District from that project.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

1. **Smith Fork of Phelps Sewer Project, Phase II:**

Mr. Potter stated that Mr. Griffin is not in attendance today but the inspector, Greg Dotson, is here. He stated that basically the weather has been bad the last month and the contractor has accomplished an item or two over there but Mr. Griffin wants to meet next week about an issue with an air release and the contractor, him, Mr. Griffin and everybody over there to look at those areas that we want to identify. Mr. Bruce Coleman, foreman for BMM, Inc., stated that the fence has been ordered for Billy Dotson Branch and the rails have been ordered. Mr. Potter stated that they went ahead and ordered some of the parts for the upgrade to the stations, but as far as work on the checks, the weather hasn't been conducive to look at what they need to.

Mr. Potter continued that getting back to Jody Hunt's update and the Ridgeline Road project, We have a map here so you can look at what we are trying to do so that if anybody ever asks any of you (Commissioners) you will have an idea of what is going to be accomplished.

2. **KY DOT Route 199 Water Line Relocation Project**

Mr. Potter stated that this is a small relocation project over at Stone. The highway department is having some property owner issues now, who is claiming part of the road. It is sort of in a holding pattern. The contractor has done some of the work, but we may have to meet over there to see what they finally worked out with them to see where we need to relocate the line differently. They will pay for it but they have run into a snag over there.

3. **KY DOT Airport Water Line Relocation Project**

Mr. Potter stated that this project has been let. This is where they are doing the continued cut-through out to the gap at the airport. They have laid about 30%-35% of the line but the weather has held up the contractors...the road contractor and the line contractor. This project is also being paid for by the highway department also.

Mr. Potter continued that he just got an email this morning that there is another highway relocation project getting ready to start where US 23 ties in at Sookey's Creek. There is a preconstruction meeting on it and he will have to go over and represent the Board to see what they are proposing there. He will let the Board know where it goes from there.

DRAWS:

Chairperson James requested a motion to approve the draws as submitted. Commissioner Collins made the motion. Commissioner Casey seconded the motion.

SHELBY VALLEY SEWER PROJECT, PHASE III, SECTION 2

Contract 1	Stimulus Funds	\$ 216,054.00
Contract 1	Stimulus Funds	\$ 18,104.54

SYCAMORE OF LOWER JOHNS CREEK

Contract 1	Coal Severance Funds	\$ 701.86
Contract 1	Coal Severance Funds	\$ 17,632.16

HURRICANE AML PROJECT (RIDGELINE ROAD)

Contract 1	AML Funds	\$ 48,962.95
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Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-010

MANAGER'S REPORT

AGENDA ITEM VIII

1. Monthly Operating Report:

Mr. Potter stated that we had nine (9) paid taps in December and did not do any LMI taps due to the weather and some other issues. We can probably do about four (4) more out the remaining funding and he has picked those from the list that are the oldest and has sent them out to the field to complete. Chairperson James stated that the Board needs to start considering, since we are down to the last four (4), that since we don't have any more funding available out there for LMI taps, but we still have a list of people who have signed up; we need to consider if we are going to notify these people that there is no more funding left and if more funding becomes available we will advertise it and start signing up again, because we know for sure that there is no more

funding for this program through June of 2012. Mr. Potter stated that we put in a request for funding for this program but it was not approved during the last budget cycle. Chairperson James stated that these people have been signed up for a while and their situation may have even changed. Mr. Potter stated that the Board does need to consider either clearing the list and refunding any deposits....Chairperson James interjected that they don't have to do that this time, but if Mr. Potter would get them the information they can look at it the next meeting.

Mr. Potter continued that total water revenue for December was \$649,565.00 and for sewer was \$76,289.51. There was another number out there and it may be something the Board wants to see, but what you are carrying in arrears that is owed to you that people have not paid is roughly \$150,000 for sewer. If the Board wants to know that information each month, and later on Mr. Stratton is going to discuss information provided to the board, but that is some of the numbers you have asked about. The Bac-T samples, in accordance with compliance, have been taken and everything was good. We had 31 illegals that were identified as theft of service in the month of December and that numbers usually is in the 50 to 70 range per month. Commissioner Casey inquired how we handle that. Mr. Potter stated that if someone is found to be illegally hooked up to the system, we take the device out and disconnect them, and the tariff allows the District to charge them an average water usage plus the cost of the damage to the service before they are reconnected. Commissioner Collins inquired if anyone actually tries to tap on to the main line. Mr. Potter stated that they have had that happen. He had someone up Elkhorn who used a ¼" line like what is in the icemaker in your refrigerator and adapted one to a 6" PVC line and screwed it in there...his neighbor turned him in or we would have never known it. That goes back to what Mr. Hamilton said. The system is so big and there are so many hydrants that when we get a report of theft, by the time we drive up there to try to catch somebody, they are gone. Mr. Stratton stated that on the issue of stolen meter bases or meters, we would have to change our tariff to address that issue because it is outlined in the tariff. The downside of it is that if we make an accommodation then we have kind of opened up pandora's box. If there is one stolen people come in and say "it wasn't me". So as difficult as it is he thinks we probably need to keep the way it is just to avoid making it a bigger problem. Mr. Potter stated that we have had a couple of people call in this month saying theirs was stolen and they didn't do it, and he refers as nice as he can back to the agreement they signed that says they are responsible for Mountain's stuff and when it disappears, the only recourse he has on MWD's behalf is to bill them for it. Chairperson James inquired if, when we have the theft of service discovered and we do the average bill and the cost for damages, etc....what then. Mr. Potter responded that if they pay, we hook them back up. The Public Service Commission says we have to. And if they don't pay it sets there until the next person comes in to put it in their name. Mrs. Olson stated that we do audits and go back and check them every few weeks or a month and make sure they are still off and have not hooked back on again. Mr. Lowe stated that we have had one in the past that we pressed charges against and he went over with our employee who actually found the illegal hook up, and the man plead guilty to a misdemeanor and they gave him sixty (60) days to pay us what he owed. That was a few years ago and he has never paid a penny of it. He went back over to the County Attorney's office and they issued a bench warrant and if they ever caught him for something else then they would enforce it. But nothing has every been done. Mr. Potter stated that internal policy has been that if we catch you three (3) times stealing in the base, the crew will come out and disconnect you from the main line, and remove the tap, the base and all. Mrs. Olson stated that that is quite expensive to remedy before you get reconnect and turned back on. Mr. Potter stated that it is a whole new tap to put it back in. Chairperson James stated that that is not fair to those who are legally on the system, because we are paying for people to steal that money and that is not fair to our customers. She inquired of Mr. Stratton if there is any other recourse we have. Mr. Stratton responded that prosecution of those issues is difficult and is low on the totem poll, and the Board may want to consider changing our internal policy to disconnect from the main after the second time. If someone has stolen off you twice, why wait for the third time before you do anything. Mr. Potter stated that the reason why it was set at three (3) is that at times, that is all we would be doing if it was after two (2) and we wouldn't have enough employees to take care of the regular maintenance. Really, it has gotten that bad. Mrs. Olson stated that to disconnect someone from the main required scheduling and equipment and sometimes, working with the sheriff's department to go with the crew. Mr. Potter stated that we had someone shot at a couple of months ago and we had to contact the sheriff's office. We can do it, but it is an involved

process. Mr. Stratton stated that to tighten it up a little bit is the only recommendation he would have. If people think they can steal three (3) times...Mr. Potter stated that there are some who know it, too, but we go back and do audits and check them. Commissioner Adkins stated that if we had some laws and regulations to change this collection deal instead of putting the burden on the companies. It is not easy, just because the court says they have to pay, it doesn't always work like that. Sometimes it gets more costly to try to collect that money. If we had more laws that would make enforcement a reality it would help, even if they had the authority to tie up the income of the offender. There needs to be something done about that. It would save a lot of companies a lot of money. Mr. Stratton stated that the only other thing we could do would be to sue them civilly and if they don't pay we can attach a lien on their property. Mrs. Olson stated that she believes that when someone tampers with a water meter or utility property, they can be charged with terrorism. Mr. Potter stated that they can now, and it makes it a felony. Chairperson James stated that attaching a lien might be a good option too. Commissioner Adkins stated that where they are getting rid of this stuff is a big issue, too. You pull in someplace with a bunch of water meters and cable and people just buy it. Commissioner Casey interjected "baseball bleachers"...somebody stole everyone of mine at Shelby Valley a couple of years ago. Mr. Potter continued by saying the he did want to let the Board know that they had two (2) more pump stations broken into last month and a motor and some copper was taken. Commissioner Casey inquired if these were in the same area as the last ones. Mr. Potter responded that these were at Upper Beehide and Pond Creek. It is just hit and miss. We are retro fitting some of the pump stations. We've got fences, locks, locked doors and what he is going to now is a little more costly. He is having to now drill through the lock, all thread rod, put a bar across it and we are fashioning the locks like keeper locks like you see at the mine sites. That won't stop them when they bust the block out of the back of the building, but maybe it will slow them down. Commissioner Adkins stated that with the battery operated saws and equipment they have now, they just go up underneath a car and cut them. Mr. Potter stated that that happened to a couple of the District's trucks up at Shelby Valley. They stole the catalytic converters off of them last year. Commissioner Adkins inquired if we had some kind of surveillance up there. Mr. Potter stated that he watched them on video but you couldn't identify them. They had a hood on and you couldn't see a vehicle because they parked out of range of the camera and he was there less than 45 seconds. He had a yellow Dewalt saws all, crawled out of the truck, came out dragging a muffler and went back over the fence. Mr. Potter stated that he just wanted the Board to know that theft, either of service or of physical property is getting to be an issue and you may have some people call or send a letter to the Board...one woman may be sending a letter to the Board and her meter was stolen and we tried to explain to her the current policy, and she just said that she is an old lady and she didn't steal it. He had no recourse other than the way we do it and told her he would mention and he has. Chairperson James stated that all they can do is to instruct him to see if he can come up with some options.

Mr. Potter continued that he has looked around and found another site or two (2) where he has found three (3) or four (4) utility crane trucks that range between forty and sixty thousand dollars (\$40,000-\$60,000). They are a little newer than the previous one the Board looked at. He is not going to give any further information right now on this because they are out of Ohio, which is the closest one and he will have to call them. He is still looking at them. They are either Dodge or Ford...he couldn't find any Chevies, but these are 6.4's or 6.7's and he is trying to find something applicable and maybe next month he will have something. Commissioner Adkins inquired what size he is looking for. Mr. Potter responded 450 or 550 range and 4 wheel drive with a crane with at least 6,000 lb lifting capacity. He would like to have a service bed to hold their tools. It doesn't have to be an extended cab or anything like that. We need at least three (3) ton lifting capability and it should have at least the drop down pin jacks. Hydraulic is nice, but cost more. It has to be 4 wheel drive because a lot of our stations are off the beaten path a bit and he is looking at some and welcomed the Board to look at them after the meeting.

Mr. Potter continued that the Public Service Commission has put out their Consumer Activity Report and we got a letter saying it is out there if anyone wants to look at it. Basically, they go all across the state of Kentucky and say "Of water districts comparable to your size, this is what was seen...how many theft of services, how many customer complaints" and so forth.

The Board also has at least five (5) wastewater treatment plants that are coming up for renewal of their KPDES and NPDES permits. In the past EDC has done some of them and in the next year you are going to have about twelve (12) more coming up for renewal. You have to start the renewal process 180 days prior to permit expiration. He had asked EDC for a quote and Vaughn and Melton for a quote and he can ask more or inquired if the Board wanted to advertise it in the paper. He stated that it looks like it is ranging from \$300 to \$500 per renewal. What he asked these engineers what they would do each one for. Mr. Stratton stated that since professional services do not have to be bid, we can solicit privately. Commissioner Casey suggested they let Mr. Potter take care of it then because we have to have our permitting in place. Mr. Potter stated that he would ask Summit for a quote as well and bring them to the Board. We have time to get it started after the February meeting, but there will be a bunch coming up next year and he just wanted to know if they had someone they wanted to use or if they wanted UMG to select someone for them. The Board agreed to allow Mr. Potter to handle that issue. Mr. Stratton clarified that the hiring of the selected firm would have to be approved by the Board. Chairperson James stated that was fine and Mr. Potter will bring the quotes to the Board at the February meeting. Mr. Potter stated that the capital items with the new contract will be presented in November for the year. We have a preliminary one now that the Board can look at after the meeting. Some of the capital items list, he has looked at the field and the office that MWD would put on their capital books. We are looking at two (2) more utility truck replacements. We have a 2002 Dodge and a 2003 Dodge that are field service vehicles that have high mileage and are starting to get to the point where they are nit-picking us to death and it is time to replace those; the boom truck, two (2) more supervisory trucks like Rangers or smaller pick-ups – we have a 2003 Dodge pick-up and another Ford pick-up that is older, high mileage – 192,000 on one and 180,000 on the other and it is time for replacement; at least one (1) boring tool, one (1) flow meter and a smoke testing apparatus for the wastewater department. In the office some of the items are at least three (3) office computers are out dated and slow and need replaced, and new chairs for the conference room. Some items UMG is looking at purchasing that will go on UMG's books that will be primarily stationed at the MWD facility are another boring tool, another flow meter for leak detection, two (2) metal detectors, a wastewater jetter (which MWD has never had) but is going to be needed and will cost at least \$20,000, and a core driller for intercepting and drilling into manholes (MWD has never had anything of that nature either). UMG is considering purchasing those items to be utilized here and be on UMG's capital items list. Mr. Stratton stated that as to the asset list under the new agreement, UMG is to provide the Board a complete list of capital assets and chemical supplies. We need an agreed upon time line to give UMG time to complete that. The forty-five (45) days started in January and he was going to push that back a little if UMG needed it. Mr. Potter stated that he had it done as of December 31st. Mr. Meyer stated that the two (2) inventories that we have are the inventory of parts and tools and the second one is chemicals, office equipment, all the parts and materials in the trucks and the last one will be all vehicles with the notation as to their condition which is being finished up. Commissioner Casey stated that he didn't think we needed to be putting off the purchase of some of this stuff that is highly needed like these computers for these ladies that works here, we need to be up to snuff on. We keep putting this off to the next meeting and if our people need something to do sufficient work with out in the field or at the office, they need it and we don't need to linger with it. Mr. Potter stated that he agrees and he will give the complete listing of that. Also, in accordance with the new contract he presented the Board with a certification stating that the information that has been given to the Board for December has been true and accurate to the best of his knowledge and belief and a copy of that will be presented in the Commissioner's packets each month prior to each meeting. Mr. Potter stated that the only other thing he had left to discuss is the surplus property issue with the Marrowbone Water Treatment Plant. Mr. Stratton stated that he did some research and there was not particular statute for the District selling excess property but there is a statute for the county selling excess property. So what he recommends is that the District follow the procedures outlined for the county to sell excess property and it requires that we advertise it and that we can either do it by sealed bid or auction. Under normal circumstances an auction would cost more and the property would bring a higher price. Sealed bids are obviously less expensive but this property is so unique and the condition of it is probably questionable according to Mr. Potter and he doesn't know if it would behoove the Board to look at an auction expense or not. What we need to do is to get a survey of it to know exactly what we are selling, and the question was do we need to get it appraised to set a reserve or require a minimum bid; we could

do that if the Board wants to. It is not addressed in the statutes. Mr. Potter stated that the property we are talking about is right across the Marrowbone bridge on the right, the old water plant property. It was started around 1971 to 1973 and it was outdated and is one of the reasons why the Board built the new plant which has been on line about 5 or 6 years. We used to use it as a satellite storage spot but we had the three-phase power disconnect from it because it was an expense not needed. Since that time it has been vandalized several times and we have had to keep the fence up and it is getting to be a liability issue. It is one of those issues where the Board tried to hire someone to demolish it the Board would be out quite a bit of money and he thought it would be best to sell it "as is" as surplus property because there is no reason the Board needs it. Chairperson James inquired how they would go about getting the value on that. Mr. Potter stated that he didn't know. Mr. Stratton stated that the value would be the value of the surface. The building may or may not have value as a shell but you are talking the value of the surface minus the cost of demolition of the building. Mr. Potter stated that there is nothing in there worth getting for the District or he would have gotten it out long ago. Chairperson James stated that she is thinking it would be best to do a sealed bid and maybe put a minimum on it if they wanted to. Mr. Potter stated that the Board can always reject bids if they come in below what they want. Chairperson James commented that then they would not limit themselves. Mr. Potter stated that if the Board wishes to declare that as surplus and wants UMG to proceed with advertising it for bid, he can do that. Chairperson James requested a motion to that effect. Commissioner Casey made a motion to declare the property as surplus and give Mr. Stratton time to research it and get with Mr. Potter to advertise the property for bid to dispose of it. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-011

Chairperson James requested a motion to approve the Monthly Operating Report as presented by Mr. Potter. Commissioner Collins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-012

NEW BUSINESS

1. **LMI Project -**
 This item was discussed under the Manager's report.

2. Johns Creek Daycare/PCFC Sewer Contract –

Mr. Potter stated that he is supposed to meet next week at the health department with Zora May who is of the belief that there is enough room for the county to put in a conventional septic system in there and if that occurs MWD can do a maintenance contract to pump it when it needs to be or whatever. It is looking like the main thing is that we may be able to get rid of that plant. He needs to confirm it. He also has a meeting with the Judge on Friday and they will discuss it then as well. There is a possibility, after discussing this with the health department, that the county may be able to do this at some of their other facilities that they are having issues with.

3. MWD/City of Elkhorn City Water Contract –

Mr. Potter stated that they currently do not have any legal counsel at the City of Elkhorn City yet. Commissioner Casey inquired who the Mayor is. Mr. Potter stated that currently Mike Taylor is. Mr. Stratton stated that once that gets resolved, we can move forward with this issue.

4. Big Creek Freewill Baptist Church Billing Issue –

Mr. Stratton stated that he sent them another letter. Mrs. Olson distributed a copy of the letter to the Board. Mr. Stratton continued that he spoke to the minister who told him he would take it to the Board of the church as to whether or not they wanted to be cut off or whether they will pay the bill. He told him about this meeting and that he need to know by today and he called the church both Monday and Tuesday with no answer. So he doesn't have a reply back and will call him back and see if he can get a response. They kind of wanted to have their cake and eat it too and sort of ignore this issue and he told him that we are not going to ignore it, that we can't. He will continue to try to reach him.

5. Outsourced Billing –

Mr. Potter stated that over the last few years we have had indications from the post office that they are no longer going to accept the mailing cards that we use. He knows that some people in attendance get bills from the cable company and others that is a full sheet. That is what the post office is wanting everyone to go to. We have looked at outsourcing the billing to a company that can provide those kind of services and would enable us to take care of some issues like when we have to send out the annual Consumer Confidence Report, which right now is another contract that we have to engage somebody with. If we develop them, it will be part of the outsourced billing package. Mr. Lowe has been looking into this mainly for him and UMG would really like to go this route. It is going to fit better with where we think operations need to go at the office in making some changes. Mr. Lowe stated that essentially it would be an 8 ½ X 11 sheet of paper bill and we would be able to put any kind of information or notices that we would need to give the customers. It would be in an envelope and would have a return envelope included which research shows increases the turn around of revenue. It would also allow us to put our CCR's in with the bills so all the postage currently spent on mailing them would be saved. Any kind of notice we needed to put in there we can do. The effect here at the office would be that we would still do everything up to the point of printing the bills, then we would email the file and the company would print all the bills, stuff them and mail them for us. Payments still come back here for processing. Mr. Potter stated that there is an issue we currently have that the printers that are compatible with our billing software are hard to find to replace and are breaking down on a regular basis and it is difficult to get them fixed. It is getting to be issue. Mr. Lowe stated that we have had those printers about seven (7) or eight (8) years and they have been discontinued so we contacted the billing software people and asked them what we can replace them with. They made a recommendation and we bought one and it didn't work. It won't print on those cards. We have had to buy a refurbished one at this point and are having trouble out of it. Mr. Potter stated

that he is asking for the Board's approval to make this change in the operations of how we perform the billing services here. UMG would like to go with outsourced billing and are looking at quotes and UMG would incur the cost of taking care of that. But because it is a change in operations, the Board would need to approve it. Mr. Meyer stated that we have looked at the cost associated with this and it is more expensive than just sending out the cards in house, but when you look at the increased cost to pay a contractor to print and mail the bills, what makes it work is the cost of an employee position. If we were not going to be doing that work in house, essentially we could essentially save a clerical position and we have already done that. There was a clerical position that is no longer employed with UMG and we don't plan to fill that position, so from our perspective, it is a wash. It is a better system and gives folks here the ability to get more information out to customers, you can integrate your monthly billing with historical data and do a bar graph on the bill that shows the customer their usage over the last 12 months and various other items that can be done like that. It also provides more privacy to the customers. Mr. Lowe also stated that the customer can currently go to MWD's website and pull up their bill on there, it shows a bar chart with their last 12 month's usage and that is what we want to show on the bill. Mr. Potter stated that the post office has indicated that they won't be doing the cards any more in the near future and have sort of encouraged us to look into this option but they keep putting off when they are going to implement the change. He stated that another advantage to this is that in the spring or the winter we can put information on how to look for a leak at your house or other helpful information for the customer. Mr. Spears inquired about customer service. Mr. Lowe responded that the number on the bill would still be ours and they would still call this office for questions or concerns with their service. Commissioner Casey inquired if it will save the District money. Mr. Lowe stated that it will not save the District money because UMG will be absorbing the cost of the change. Mr. Potter stated that we have looked at other Districts in the last few years and how they perform their services like teller lines, drive through windows and this goes along with something that we want to implement for better customer service; to make every representative available downstairs to do everything from payments to complaints to new services and this will provide us with some leeway to be able to get our employees trained and do this and get a new system set up. It will work really well. Any representative could help any customer with whatever they needed without going to a different department. If we outsource the billing, everyone will be cross-trained to be able to do all service for the customers. Mr. Spears inquired if there would be any delay in billing by switching this to outsourced billing. Mr. Potter stated that there would be no delay and cash flow will not be affected. A test run will be done to make sure that the numbers match and everything is correct. Mr. Spears clarified that it will not take any jobs here currently. Mr. Potter responded that it will not. Mr. Meyer stated that Southern Water has made this conversion and the City of Prestonsburg uses the same type of system as well. Mr. Spears stated that he just wanted to make sure that we didn't get caught in a three (3) week cash flow lag. He was assured that there would not be a lag in cash flow and no jobs here would be lost due to this change. Chairperson James inquired if UMG needed anything from the Board at this point. Mr. Meyer stated that what would be appropriate from a policy perspective because it is changing the way the public perceives getting bills from the District, he would suggest that the Board approve the change from that perspective. It would fall under the change of process under the new contract. Chairperson James requested a motion to approve UMG to outsource the billing for Mountain Water District which would be at UMG's cost. Commissioner Adkins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-013

6. Conflict of interest Statements - 2011

Mr. Stratton stated that under our code of ethics that Board and their contractors are required to submit a conflict of interest statement. A copy of all vendors used by the District was distributed to the Board. Mr. Stratton stated that each Board member and contractor needs to review this list to see if you have any relatives or ownership involved in any of these entities with which we do business. The key is, it is okay to have a conflict but you have to disclose it, so you don't vote on it if an issue comes up with that entity. The forms will need to be turned in at the next meeting.

7. Administrator Position –

Mr. Stratton stated that Chairperson James has been able to obtain information for a job description for a District Administrator and Roger Rectinwald developed one and sent it to her as well. He has reduced it down to two (2) pages and read to the Board a general description of duties for this position which included: coordination of Board communication, serve as an agent of the Board, general monitoring and reporting on performance of District's contractors. What we need to do is advertise this per the statute after the Board has reviewed the list of skills and qualifications and made any changes. The decision was made to form a committee comprised of Mike Spears, Dan Stratton, and Commissioner Adkins to interview all candidates and narrow the list down to at least the top three (3) candidates. Commissioner Collins inquired what kind of salary we were looking at for this position. Mr. Stratton stated that we have identified a budget and a salary range but it will be commensurate with education and experience and depend on the allowance for benefits. Mr. Potter noted that MWD is a member of KRWA and they have a free member job posting page on their website. Both Chairperson James and Commissioner Casey stated that that would be a good idea to put it on there as well. Mr. Lowe stated that if someone will get it to him, he will also post it on Mountain Water's web site. Mr. Spears inquired if the Board wanted him to put a base package together. The Board agreed for him to go ahead and put that together prior to the interview process. Chairperson James requested a motion to authorize to advertise the Administrator position for the Mountain Water District and to authorize Mr. Spears to come up with a base package for salary and benefits for this position. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-014

8. Creation of Finance & Operations Committees -

Mr. Stratton stated that one of the things that came out of the audit process was how the Board could get a more detailed review of things and what he proposes to address that issue is the formation of two (2) committees which would have two (2) members of the Board and whoever else the Board wanted on there. There will be a Finance Committee that would basically do a detailed look through of the billing, the bills and finances that might meet a half hour before the Board meeting to do that. The other committee would be an operations committee that would be in charge of overseeing and understanding the operations, new construction, where MWD needs to go next and that sort of thing. The idea would be that between those two committees there would be at least two (2) Board member that would be more deeply involved in understanding the details of the system. We can't have more than two (2) Board members on a committee because

that constitutes a quorum and the idea was that Chairperson James could visit back and forth between the committees but she carries other duties that are substantial as Chairperson, so the idea would be to choose from the four (4) other Board members for one committee or the other and appoint whomever else the Board wants on those committees. Chairperson James stated that for the Finance Committee, she inquired if there were any volunteers for that committee. Mr. Stratton stated that with Commissioner Friend as Treasurer of the Board, he needs to be on this committee. Commissioner Casey was also chosen for the Finance Committee. Also on this committee will be Mike Spears and whoever the Board chooses to fill the Administrator position. For the Operations Committee, it will be composed of Commissioner Adkins, Commissioner Collins, Mike Spears and the District Administrator.

Mr. Potter stated that while we are still under New Business he had a couple of items that he wanted to mention. We had applied with FEMA for mitigation funding for items that had been flooded repeatedly over the last few years. We identified two (2) or three (3) pump stations that qualified and Summit helped prepare the request for the money. Mr. Hunt has indicated that we have reached the second round of that application. It was an 80/20 match for funding. We have reached the second and he will work with Mr. Hunt to get the information together that FEMA is requesting to get that funding. The pump stations identified were at Johns Creek Railroad, one at Phelps and one at Kimper. Mr. Hunt stated that you have to do a benefit cost analysis to move forward in the process. Mr. Potter stated that he would work with Mr. Hunt on completing that if the Board wanted to move forward with that. The Board directed him to proceed with completing the information that FEMA was requesting.

Mr. Potter continued that Douglas Wastewater Treatment Plant is at capacity, pretty much, and before we can do anything more in the Shelby Valley area the plant is going to need an upgrade and made larger. It needs some additional retention basins to bring it up to speed with new regulations. On the Long Fork Sewer Project, the District has about \$490,000 remaining in that project. A possibility could be an ARC grant which is a 50/50 match, using the left over funds on Long Fork as the match for that grant. He has asked for \$2.5 M from Coal Severance and through Big Sandy ADD to look at finding money for that. He has also requested an estimated \$15 M to relocate the plant. He inquired if the Board wanted to allow Summit to do the grant writing to look at doing an ARC grant and using the remainder of funding from the Long Fork project, since it is still in the Douglas area, to be the matching funds. Mr. Hunt stated that Summit did an application last year and probably will just need to revise it a bit and resubmit it. Mr. Spears stated that we will need approval from the funding agency to use that money for that purpose. Mr. Hunt stated that we will need to do that, but since it is in the same area they usually will allow it. Commissioner Casey stated that he believes we need to approach every avenue we can to relocate that plant. Chairperson James requested a motion to authorize to proceed with that avenue to get the funds approved to use for the match and to proceed with the ARC grant application upon approval of the funding agency. Commissioner Collins made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-015

Mr. Potter stated that the only other thing he has it, talking about the new contract and things that that Board wants and maybe doesn't need to see from UMG, we have been providing a lot of information and some things are internal and he thinks we need to have a special work session so we can sit down and determine what the Board needs to see from him as the operations

contractor and then Mr. Stratton can tell them what items we need to revamp as far as policies and procedures. We look over operations and procedures. If the Board wants to schedule a work session, let Mrs. Olson know prior to so we can get it scheduled and advertised. Mr. Stratton suggested that we wait and do that after we get the Administrator on board and let them be a part of that process. That will delay it a few months, but it will be important to have that person involved.

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

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

Chairperson Rhonda James	Aye
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. 11-01-016

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

Chairperson Rhonda James	Aye
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. 11-01-017

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments. Mr. Potter stated that he is distributing a KRWA training schedule for the Board to look over and if any Board member wants to go to any of them, let Mrs. Olson know. Commissioner Casey inquired if this was the updated schedule for Board members to use to get their hours. Mr. Potter stated that hours are available for all Commissioners on this training listed from KRWA for 2011.

Commissioner Adkins stated that he went up to the Buckfield area at Collins the other day and we said we didn't have the funding to serve these people and they have sewer coming up in their yards and some

of them are fairly new houses and it isn't their fault. The line has been run across the river up to the railroad trestle bridge and then right under that bridge there are several houses there that we could pick up there that would be real easy to get. But they said for the cost of engineering and working with the railroad and everything we didn't have the money to do this. So he called the railroad and they were supposed to be getting some stuff on it and he asked them that he didn't understand that there is a river does and the damage that it does coming through there, what damage could we do running the water lines up there when we can help some people that has problems that they can't control. He hasn't gotten the paperwork back from the railroad yet. He and Mr. Potter were in Louisville a while back and they talked to someone who said they didn't have to pay that stuff. He is just trying to hook these people up and it is not going to be that expensive if we don't have to go through all that with the railroad. It's at Buckfield and we are right at and it would be senseless not to get it. Mr. Stratton inquired if it was a railroad trestle or a bridge. Mr. Hunt stated that it was a bridge. They would allow it to be open cut but we have done one in the past at Johns Creek and they still made us encase it and get a permit and even though they allowed us to open cut it, we had to have valves on either side, too. Chairperson James inquired if there were any funds left over in the Shelby Valley Sewer Project. Mr. Hunt stated that there are no funds left on this project. This is a stimulus project that is going on now and is about to finish up and they are tight on funding. We might have a little bit of funding left over, but that is not currently in the design. Those were the side hollows and we were doing the main stretch first in the phasing of it and after the main stretch is done, then you go back and get the side hollows off the main line. The line is designed big enough to pick up those but we just need additional funding. This stimulus money is so restrictive that they won't let you go outside of what the original project boundaries are. The Coal Severance funding we're using, if we have money left over we can extend the line and keep on going. But with the funding on this one, they will not let you extend the project but require that the money goes back. There is a 201 plan that is in place and those areas are outside of that because we knew we needed a Douglas Plant upgrade to handle additional customers beyond what we have now. Commissioner Adkins clarified that it did get it across that river and inquired if that was considered on the main. Mr. Hunt stated that it is considered the main. We meandered across the river to pick up those customers on the way and because the water line in the ditch there, you have to stay 10 feet away from it, and we crossed over to pick up as many customers as we could on the way down. Commissioner Adkins inquired how many houses were picked up when they went under the railroad going toward Shelby. Mr. Hunt stated that he couldn't remember right off the top of his head. Commissioner Adkins stated that it was very few compared to what houses there compared to the ones he is talking about. He inquired how far is that going down toward Shalbiana. Mr. Potter responded that it is right past Riddles Crossing. Commissioner Casey stated that we need to really look and see if we can't service them people because that will bring revenue in also. Mr. Potter stated that there is no money left in that one, but from the original project that was one of the first ones going back a year and a half to two years that the board said they would not borrow any money that would not debt serve, and that is the project we had to send the debt service calculations in on based upon the borrowed money. With the original design, that was the section that debt served and the reason we didn't get it under the tracks was that to ask for more money to eventually go toward Branham Heights was what DOW and some of the others wanted us to go to which would eliminate package plants. Commissioner Adkins responded that on the debt service he doesn't understand that if there were that many people there that close to get it. Mr. Potter stated that it was the original project area that was picked and that is all he can tell them at this time. Chairperson James inquired if the area Commissioner Adkins is talking about already designed. Mr. Hunt responded that it is not designed. The design for this project has been setting on the books since 2007, so we did Phase I with funds we had but we had to stop construction on it and couldn't build it all. Then this stimulus money came in and we asked for a lot more money, but we didn't get it, so we could only go as far as we could with design. Chairperson James clarified that what we would have to do to add any additional customers like what Commissioner Adkins is talking about, we would have to pay for engineering and design and get it approved by DOW and go through the environmental process again. Mr. Hunt indicated that that is correct. Chairperson James stated that what we need to do at this point is to make sure that this project is one of the ones that we get on our priority list. Mr. Potter stated that that is coming up again soon and he put into it sewer line extensions for the Shelby Valley area. But DOW is going to come back and refuse it because they know we are about to capacity and will require the wastewater plant upgraded first. We have been looking for the last year for funding to expand the plant for that reason. Commissioner Adkins clarified that we can't hook any more people up to the plant. Mr. Potter responded that line extension-wise that has to be approved by DOW they probably won't, individually here and there they probably won't come back at us, but if we propose another project then they look at how many people is in the project

area and back it into the calculations and they will probably say no until we upgrade the plant. Chairperson James stated that we are well on our way to getting that process started so we can pick up some of these homes. Commissioner Adkins stated that you are talking about it being a long time out there. Mr. Potter stated that it could potentially be. Commissioner Adkins clarified that there is no way possible that we could get these people. Mr. Potter stated that if he would give him the addresses and show him on the map where they are, he would look at it.

ADJOURN MEETING

Chairperson James stated that if there were no further comments, she requested a motion be made to adjourn the meeting. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-01-018

MOUNTAIN WATER DISTRICT
BOARD OF COMMISSIONERS REGULAR MEETING
February 23, 2011
10:00 AM

ATTENDANCE

Paula & Barry Coleman, 890 Beech Creek, Phelps, Ky.
Tommy England, Blessed Hope FWB Church
Russ Cassady, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Doug Griffin, Kenvirons, Inc.
Greg Dotson, Inspector
Mike Spears, Spears Management
Dan Stratton, Stratton, Hogg & Maddox
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Assistant Financial Manager, UMG

CALL TO ORDER **AGENDA ITEM I**

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, February 23rd, 2011 at 10:00 a.m.

Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Kelsey Friend
Commissioner Ancie Casey
Commissioner Prentis Adkins

VISITORS **AGENDA ITEM II**

Chairperson James inquired if there were any visitors for today's meeting. Chairperson James recognized Barry Coleman who stated that on August 15th, 2010 he signed up for a free hookup on the sewer system and as time went on they brought the tank and things and put in the yard. A month later they hooked someone up who put in a new trailer and then bad weather hit and he thought it would be a while before they hooked anybody else up. About a week ago his wife called and asked about being hooked up and was told that Lois wasn't in but a few hours later they came to take the tank and box away. Bruce with BMM, Inc. told them to come to the meeting and talk to the Board because he was told not to hook anybody else up. Commissioner Casey inquired where they were located. Mr. Coleman stated that they live on Beech Creek at Phelps. Chairperson James inquired from Doug Griffin, Kenvirons, what the situation was with this. Mr. Griffin stated that he doesn't know exactly; that Greg Dotson has a list dated March 31st and they are not on it. Mrs. Olson gave him a list from Lois Smith and it is not on it. Commissioner Casey stated that they had the stuff at their home. Mr. Griffin stated that he knows that but they are not on the lists from the inspection or Mrs. Smith. Chairperson Casey inquired from Greg Dotson if he knew what had happened here. Mr. Dotson stated that BMM, Inc. was installing the main line last year and got to their residence, and Mr. Coleman has a brother and father that lives near him as well, and when the contractor was directional boring, they have about 30 yards that needed to be bored underground and you have the county road and the water line in which the sewer has to be away from that. Mr. Coleman's brother came out and said "What are you doing on my land?" He thought he had all the easements they needed but Mr. Coleman's brother made the contractor leave the property and

wouldn't let them go through there. The contractor had to go back out on the county road and go under the road all the way around the three of them and came back to the designed side on the other side of them. The plans had the line running in front of their homes but since the contractor wasn't allowed to go through there, the plans had to be changed. Mr. Coleman's brother and father didn't want the service but he guesses he did, but they were trying to figure out if they had signed up or not when they were told to stay off the property. Commissioner Casey stated that the paper he had in his hands shows him signing up on August 16, 2010. Mr. Coleman stated that his brother, who didn't want hooked up, has a small yard and has a cement septic tank and infiltrator system and they had to step over 20 or 30 feet. He doesn't blame him for not wanting the line drilled through his septic tank or infiltrator system. Mr. Dotson stated that they are not on their original list. Commissioner Casey inquired why he would have the materials at his home put there by the contractor if he wasn't on the original list. Mr. Dotson stated that as they received updates from Lois Smith, their names may have showed up on a new list so the contractor may have went back and set the materials there for when they had time to go back and hook them up. He also stated that now they have a new county road they just asphalted and the contractor would have to cut it or punch it and they are trying to figure out how and when they can hook them up. Commissioner Casey stated that it needs to be figured out. These people have been waiting since August and they need to get their service hooked up. He understands the delay because of the denial of access to the property and the construction of the new road but he stated that the contractor needs to get this situation resolved as soon as possible. Mr. Coleman also stated that his neighbor, Mary Ann Lester, signed up a week before they did and she still needs hers hooked up also. Mr. Griffin took the information to check into it and stated that they can get it; they still have funds to do it with. Commissioner Collins inquired if there is a straight shot to it now the line has been moved around it. Mr. Griffin stated that it is on the other side of the road and will have to be bored. Mr. Dotson stated that Bruce with BMM, Inc. asked him to see if they needed to go ahead and set these, if they were going to get paid for them or what because they were told to stop production. So it really isn't their fault either because they didn't know whether to go on or not since they were told to stop. Mr. Griffin stated that if anybody else is where we have laid line, we have plenty of pumps; they need to be put in. Commissioner Casey agreed. Mr. Griffin stated that he would talk to the contractor and get it straightened out. Mr. Coleman thanked the Board and he and his wife left the meeting.

Chairperson James inquired if there were any further visitors. She recognized Tommy England representing Blessed Hope Freewill Baptist Church. He stated that back in December they had a water leak at the church outside when no one was there and he asked for an adjustment. The District made the adjustment to the bill and he is there to ask for more of an adjustment on their bill. The water bill was \$1400 and the adjustment was \$593 and the church was asked to pay \$826.74 which they paid, but he wanted to know if the Board could help them a little more with the bill amount. Chairperson James inquired from Kevin Lowe if that was the correct adjustment. Mr. Lowe stated that the church was given the standard adjustment which the customer's average for the 3 months prior to the leak and anything above that average is adjusted to a rate of \$3.60 per 1,000 gallons from the normal rate of \$7.01 per 1,000 gallons. Mr. England stated that Silena McKinney had explained all that to him but what he is saying is that if it was at his house, and he knew that leak was there, and he didn't do anything about it, then he could understand it. He stated that he didn't really know how long the leak was but they finally found the puddle of water and changed the plumbing and corrected the leak and got the bill for this amount. Chairperson James stated that the District's actions are based on the Public Service Commission, and in our tariff, that is the approved way of making an adjustment to help customers out in situations like this. We would be deviating from what the PSC is allowing us to do which is not something that the District can do. Mr. Stratton stated that there is no procedure the Board can legally take outside of what we have already taken and not be in violation of our tariff; and the reason there is a tariff is so that we don't have situations where we make special considerations for one person and not for another. By having a standard level across the board everybody gets treated the same and that way it is fair to all based on a common standard. Mr. England inquired if all business, churches and residences all under the same criteria. The Board responded in the affirmative. Commissioner Collins commented to Mr. England that there is another church listed on the adjustment report as well. Mr. England responded the he believes that the Board needs to look into that and maybe get an allowance for adjustments for something like this. Chairperson James responded that that is something that the Board will take under advisement to see if they can. They would have to contact the PSC and go through the proper procedures and see if they will allow the Board to do that. Mr. England thanked the Board and left the meeting.

JULY FLOOD UPDATE

Mrs. Olson stated that Mr. Potter is not in attendance at the meeting today due to a conference he is attending in Bowling Green, Kentucky so she will be giving the update today. The contractors hope to have all of the flood contracts completed by the next meeting. H2O Construction is still in the 90+ percentile completion rate, mainly due to the weather and right of way issues with the railroad. We did receive an email due to the letter Chairperson James sent to Hal Roger's office regarding the FEMA funds that said that the first part of the FEMA funding should be to the state by the end of this week. Mr. Lowe stated that they also stated that they didn't know from that point how long it would be before the state disburses the funds. Chairperson James responded that at least we are one step closer. Mrs. Olson stated that the Board had approved the 100% payment to BMM, Inc. for the flood work at the lagoons at the Water Treatment Plant, which is completed; H2O is not 100% completed but there are only a couple in each contract that need to be completed. Mr. Spears stated that we have paid H2O 75%. Mrs. Olson inquired if that was 75% of the first pay request or of the total amount. Mr. Spears responded it was of the total. They were paid half in December and 25% at the last Board meeting. Chairperson James stated that the Board would just wait and inquired what Mr. Spears thought about waiting and letting them submit for the remaining money. Mr. Spears stated that we don't have a definite number of percent complete and they have been paid 75% already. Mrs. Olson stated that Mr. Potter did say that they were hoping to have everything done by next month and the one contract largely depends on the railroad and how much they can get done with them. No further action was taken on this matter. Chairperson James commented that she wanted to say that the Board is so appreciative of Hal Rogers and his staff for moving the FEMA issue along for the District. Mr. Stratton inquired if it would be appropriate to send them a note of appreciation for their efforts. Chairperson James and Commissioner Casey responded in the affirmative, that it would be a good idea. Chairperson James inquired if Mrs. Olson would draft a letter for her approval to Hal Roger's office expressing the Board's appreciation for their efforts in expediting the process. She agreed.

APPROVAL OF MINUTES

AGENDA ITEM III

Chairperson James requested a motion to approve the minutes of the special meeting held on January 20th, 2011 as presented. Commissioner Collins made the motion to approve the minutes as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-02-001

Chairperson James requested a motion to approve the minutes of the regular meeting held on January 26th, 2011 as presented. Commissioner Casey made the motion to approve the minutes as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-02-002

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears reviewed the financial statements with the Board. Mr. Spears stated that we received the request from KIA for the Designation of Project Administrator for the Majestic Alternative Sewer Project. He has been doing all the Coal Severance Project administration and if the Board would like for him to be the administrator on this project he would need approval and execution of the document. Chairperson James made a motion to approve Mike Spears as the administrator for the Majestic Alternative Sewer Project and authorize the execution of any necessary documents. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-02-003

Mr. Spears stated that during the transition period after the contract renewal we knew we would have to draw some cash flow down to settle up some old debts with UMG and we are starting to pick up the R & M and the utilities and there is a timing difference of when the cash goes out and comes back in. The cash in bank this month is \$455,000 and is down about \$170,000. He continued to review the numbers for the financial report. The financials are pretty standard for what we have run in the past for this time of year with lower revenue in the winter months. The cash decreased this month by \$158,000 which is a drastic number and our current operating balance is \$175,000 and had been running about \$325,000. In the month of January we paid the R & M bills to save sales tax in the amount of \$59,939. We have already received that money back from UMG currently. He sends out a bill every 15 days around the 20th month for the previous 15 days. The contract was retroactive and we had a payment in the first half of January which was paid. FEMA receivables, we paid \$14,562 for the fence that should be coming back from FEMA. With all that in mind, our normal outflows were increased by \$117,000 and will roll in the future and should not hit us again all at one time. During the summer months when revenue is higher, the impact won't be so great. He completed his review of the financial report with the Board. After review, Chairperson James requested a motion to approve the financial report as presented. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-02-004

Mr. Spears continued that the Board received a letter from the PSC indicating that they are going to perform a review of the state audit report. We will be compiling the information they have requested and the Board needs to authorize him and Mr. Stratton to gather what they can and to work with UMG to get their information. Chairperson James inquired if the deadline date of March 15th was going to be an issue. Mr. Spears stated that he would like to ask for an extension on that. Mr. Stratton stated that he had talked to them about that and the PSC said that we could get an extension and his thought would be to put together what we can, send them that and stated that we can provide the rest by the date that we can determine that we can get it together. Chairperson James inquired if Mr. Spears would let the PSC know that that is the Board's intention. Chairperson James requested a motion to authorize Mr. Spears and Mr. Stratton to work with UMG on gathering the requested information and to submit it to the Public Service Commission. Commissioner Adkins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-02-005

PAYMENT OF BILLS AGENDA ITEM V

Ms. Olson distributed copies of the AP report and the Cash in Bank report to the Commissioners. Chairperson James stated that Mr. Spears had brought a couple of things to her attention. She stated that on page 4 to Appalachian Tire Projects for \$18.57 and also on page 11 there is a payment to RA Ross and Associates for \$1,825.68; and that these two items appear to be for repairs to a pumper truck that is not a District owned vehicle. The recommendation would be to pay the bills as presented excluding those two until we get further clarification. Mrs. Olson stated that the pumper was purchased with project funds for Mountain Water District and is a District asset. We will check it before the end of the meeting and let the Board know. Chairperson James stated that if that is the case we will approve it subject to that clarification. Carrie Hatfield stated that she can go bring the file down for clarification of this issue. Mrs. Olson asked Mrs. Hatfield to please do so. Chairperson James suggested moving on to Customer Adjustments while she did that. After review of the documents that Mrs. Hatfield brought down for Mike Spears, he confirmed that the pumper truck is in the District's name. Chairperson James then requested a motion to approve the payment of all bills as presented. Commissioner Friend made the motion to approve the payment of bills as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-02-009

Commissioner Adkins inquired as to when the pumper truck was bought. Mr. Spears responded that it was purchased in August or September of 2010.

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

After review and discussion of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of three thousand, two hundred, and fifty-nine dollars and forty-two cents (\$3,259.42) as presented. Commissioner Collins made the motion to approve the adjustments as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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.

CONSTRUCTION REPORT **AGENDA ITEM VII**

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

1. Shelby Valley Sewer Project, Phase III, Section 2:

Mr. Hunt stated that all of the residential grinders are installed on this project. There is very little work left to be done and a walk out is scheduled for tomorrow with Division of Water and at that time we will identify the punch list items that we will need the contractor to come back and correct. This project will be complete once we provide the close out information and all the paperwork that goes with closing it out.

2. Long Fork of Virgie Sewer Project:

Mr. Hunt stated that this project is complete. A walk through has been completed and they have identified the punch list items for the contractor to complete. There is a wrap up change at the end of the project. Some items that need to get completed and there are actually three inlets into the wet well, the pump that pumps the sewer over the hill at Virgie that we relocated from the Virgie school, the contractor fixed those lines in a way that he could turn off and on and isolate those valves in case there ever a problem with the creek crossing there, and it created two different inlets in the sewer. In the design there is an inlet that goes down and outlets the sewer at the bottom of the wet well. For that change, the contractor is asking for an additional \$5,000 and he would recommend that because it is a fair price for the amount of work that he did for that. We do have the funds in the project for that. This will be part of that wrap up change order for the project. He stated that he needs approval for that change order and once it is approved, the contractor has already signed the release of liens on the project. A close out letter has already been completed which gives background information on the project and the warranty period. Commissioner Casey made the motion to approve the wrap up change order for the Long Fork of Virgie Sewer Project contingent upon the funds being available. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-02-007

3. Belfry/Pond Creek Sewer Project:

Mr. Hunt stated that there is nothing new to report on this project.

4. Hurricane Branch AML Water Supply Project (Ridgeline Rd):

Mr. Hunt stated they are still waiting on AEP to connect the power at the tank site. The contractor is working on testing the lines and once that is complete he will begin the wet taps. Mr. Stratton inquired if Mr. Hunt will let him know when the power hook up is completed which involves the Coleman law suit. Mr. Hunt agreed.

5. Ridgeline Road Water Supply Project (Jonican & Upper Pompey):

Mr. Hunt stated that the survey is complete on this project. They have done surveys for the proposed tank site, pump station site and a hydraulic analysis and model of the system. Now that the survey is back they have to put actual elevations into the models to check and make sure everything is working. He is anticipating bringing in a set of plans to show the Board the proposed plans for this project. Once they are approved by UMG and the District, they will be sent on to the Division of Water for their approval and it is a simple extension project and should get a response on that pretty soon after submittal.

6. Sycamore of Lower Johns Creek:

Mr. Hunt stated that this project is complete. We were able to serve approximately 17 additional customers with the monies left over on that project. He has received the release of liens on this project also. He has brought a final pay request for approval which includes a wrap up change order that reconciles quantities. We had approximately \$4,000-\$5,000 left over on that project and wanted to utilize all the funds so we got with the contractor and material supplier and purchased parts and equipment that would help the District. They ordered 4 valves and some radio read meters so in the future when something breaks, you have that. He requested approval for the change order for this project. Chairperson James inquired what exactly the change order includes. Mr. Hunt stated that it includes the purchase of those additional parts in the amount of about \$5,000. Commissioner Casey confirmed that there are monies in this project to pay for it. Mr. Hunt confirmed that for the Commissioner. Mrs. Olson stated that Mr. Potter has said that the meters have been delivered for the new customers and when the project has been released we can begin to set the meters. Chairperson James requested the motion to approve the change order for the Sycamore of Lower Johns Creek Project as presented. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-02-008

7. DOT Project – Pond at Draffin:

Mr. Hunt stated that the preconstruction meeting was held for this project with the Highway Department and are shooting for a target start date of mid-March. This is the project where we are relocating the line twice; first across the river to get out of their construction limits so they can construct a bridge and once the bridge is complete it will be in the Highway Department plans to construct the line in the ditch line because the District does not want the liability of having two river crossings at Draffin because the water plant is below there and there are a lot of customers depending on that line. He has contracts ready for the Board to sign on this project and is being paid for through the Highway Department. Chairperson James inquired if the Board has already approved everything needed to move forward on this project. Mr. Hunt responded in the affirmative and stated that the documents need signed and the notice to Proceed issued.

8. Scott Fork Industrial Park Water Line Extension:

Mr. Hunt stated that the District will take over this water line once it is installed by the Pike County Fiscal Court. The contractor has begun work on this line and it will take about 60 to 90 days to complete.

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

1. WTP Expansion/Upgrades:

Mrs. Olson stated that Randy Conley is in the process of doing the electrical work at the plant. He has been working with AEP to get the power drop there and Elvis Keene has completed the building that they will use to house the electronics. It is ongoing but progressing. As soon as the power is available, they will be able to tie everything in and complete the work.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

1. Smith Fork of Phelps Sewer Project, Phase II:

Mr. Griffin stated that they will get the mix-up straightened out but he would not be surprised if there were a few more people who want to sign up. We have plenty of pumps left and have done one day of testing that the Board approved before trying to find out what is wrong going down pump stations. So far everything is looking real good. They have started relocating about 800' of line that needed relocated to make it work better. The trench is dug and pipe has been delivered but it hasn't been installed yet because the contractor has some equipment problems right now. The pump station at Billy Dotson Branch, he has contracted to have the fence put up and ordered the stainless steel rail replacements for the pumps and they sent the wrong ones. They will proceed down toward the plant to see what is wrong down there. We know we are not getting flow through the line like we should there. He stated that he was told to get an inventory of what materials were going back to the District and left over, and he knows what is left over as of today, but there are at least two more, after today, that will come off the inventory. There are 38 residential grinder barrels left. There are 10 grinder pumps left due to them being delivered to the Douglas Plant when E-One came in and changed the pressure switches on each one. The delivery driver dropped them at Shelby Valley and they never made it back to Phelps. Mr. Griffin stated that he checked on it and the grinder pumps are at Shelby Valley and Mr. Potter is aware of it. Mr. Stratton stated that Shelby Valley has paid for something twice then... Mr. Griffin stated that there is no payment involved in any of it. Mr. Dotson stated that there are just 28 less pumps now that should have been delivered to the Phelps area. Chairperson James stated that we need to get that matched up. Mrs. Olson inquired if they were delivered to the Douglas WWTP. Mr.

Griffin stated that they were delivered to the District at Shelby Valley at Douglas and not to Phelps. Mrs. Olson stated that she would check on the 28 pumps that went to Douglas instead of the Phelps project.

2. KY DOT Route 199 Water Line Relocation Project

Mr. Griffin stated that there is still a little more to do with plumbing the pump station. The drawings were showing about 5 customers and there was a mix up with the size of the line and where it is laid and the Highway Department inspector said "Wait a minute, we'll be tearing out all of this and we need to fix it now". So he has about 800' of 2" line to lay to hook those customers back up to get it out of the way plus a little bit of plumbing on the pump station and pressure testing the line. They are supposed to start back on this job Monday.

3. KY DOT Airport Water Line Relocation Project

Mr. Griffin stated that this project is complete. He stated that they are working on the as-built drawings now and will be getting those shortly. Mrs. Olson stated that Mr. Potter wanted her to ask Mr. Griffin when we may be able to get the final release letter and that we need the inspector to turn in the contractor's water amount used for flushing, filling the lines and disinfection as soon as possible. Mr. Griffin stated that he would take care of that information.

DRAWS:

Chairperson James requested a motion to approve the draws as submitted. Commissioner Collins made the motion. Commissioner Adkins seconded the motion.

SHELBY VALLEY SEWER PROJECT, PHASE III, SECTION 2

Contract 1	Stimulus Funds	\$ 118,403.30
Contract 1	Stimulus Funds	\$ 12,842.14

SYCAMORE OF LOWER JOHNS CREEK

Contract 1	Coal Severance Funds	\$ 9,126.12
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HURRICANE AML PROJECT (RIDGELINE ROAD)

Contract 1	AML Funds	\$ 44,460.00
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LONG FORK SEWER PROJECT

Contract 1	Coal Severance Funds	\$ 5,000.00
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SMITH FORK SEWER PROJECT, PHASE II

Contract 1	Coal Severance Funds	\$ 950.00
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KYDOT DRAFFIN LINE RELOCATION

Contract 1	KY DOT	\$ 2,383.89
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Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-02-010

MANAGER'S REPORT

AGENDA ITEM VIII

1. Monthly Operating Report:

In the absence of Mr. Potter, Tammy Olson presented the Manager's Report to the Board. She stated that Mr. Potter is still reviewing options for the utility crane truck. When the weather breaks and he can get away for a day or two, he will go and test drive some, because most of what he is finding is in other states.

In the last Board meeting we discussed that we had received reminders for four (4) of our wastewater treatment plants that their permits were up for renewal in June and they have to be in 180 days ahead of time. Mr. Potter requested quotes for professional services to prepare and submit those from EDC, Inc., Vaughn and Melton and Summit Engineering. Since that time, the DOW has sent us four (4) more for a total of eight (8). The next four are due in December. EDC, Inc. quoted \$500 each plus \$250 each for additional work if the DOW came back and needed some additional information that was out of the norm, or \$3,000 for all four (4). Vaughn and Melton quoted \$200 each plus a negotiated amount if any turn out to be more complicated than normal. Summit Engineering quoted a price of \$350 each with a negotiated additive if there are any that are complicated. We are getting down to the point where, in order to meet the 180 day window, we need to get this process started. It is up to Board whether you want to act on this now or wait until next month when Mr. Potter can be in attendance. Mr. Stratton inquired if Mrs. Olson has anything in writing to show the Board regarding the quotes. She presented him with the actual quotes that were submitted by email to Mr. Potter. Mr. Stratton stated that he didn't really understand the contingency pricing when each one says that they will charge more for a complicated one over a simple one. He stated that it is either a set procedure or it's not. He inquired what determines if it is more complicated. Mr. Hunt stated that if the Division of Water comes back and says this is not acceptable or they need a change or more information. He stated that Summit proposes to do it at their standard rated if it is outside of the standard wastewater permit. Mrs. Olson stated that these are done every time they are up for renewal and doesn't really see there being any problems with that unless the plant has had a major upgrade since the last permit or something has happened that is out of the scope of normal operations. Mr. Spears inquired if those are standard hourly rates and if there would be travel time expenses or things of that nature because one of the companies quoting is out of Tennessee. Commissioner Casey agreed that needed to be clarified. Mr. Spears inquired if there are 20% of the permits that will get changed or if that is a low number. Mr. Hunt stated that it just depends on the reviewer you get with Division of Water. Mr. Stratton inquired why the price can't be a fixed price, taking into account that there may be additional work on some and compensating for that. Mr. Hunt responded that you don't know up front exactly what they are going to ask and they could throw you a curve ball that would take a lot of time and research. Mr. Stratton stated that he knows that but what they are saying is that we put out a request for quotes for a price and what we are getting back a price of "X" plus "if we have a problem it will be added on to". What he is suggesting in theory why can't the Board say it's a fixed price and if there is a problem, the

preparer has to eat that. Mr. Spears stated that as far as dealing with Division of Water, they are hard to satisfy with paperwork. Mr. Hunt stated that he doesn't anticipate it being a problem and normally it isn't a problem, but to protect themselves from the possibility of spending \$5,000 worth of labor on research and answering questions, that is why they put that in there. After further review of all quotes and discussion, Chairperson James requested a motion to authorize Summit Engineering to prepare and submit the eight (8) permit renewals at a rate of \$350 each and a not to exceed price of \$500 per permit. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-02-11

Mr. Stratton stated that regarding the surplus property at Marrowbone, he has given Mr. Potter the statute and recommended that we get a survey of the property so that we know exactly what we are selling. Mrs. Olson stated the Mr. Potter has indicated to her that Summit Engineering is in the process of surveying that property and that he will get Mr. Stratton as soon as that is complete. He inquired if a decision had been made on whether it would be a public auction or be bid out. Mrs. Olson stated that at the previous meeting it was decided to do sealed bids, because you are still leaving yourself open to be able to reject any and all bids if you don't get what you want out of it and then can do an auction later. Commissioner Adkins inquired how much it will cost the engineer to do the survey. Mr. Hunt stated that it is just a basic survey and he would have to talk to his surveyor to see exactly how much it is. He stated he is hesitant to give an exact cost but is thinking it is about \$2,000. Mrs. Olson inquired if Mr. Hunt anticipated that being done before the next meeting. Mr. Hunt responded in the affirmative along with a plat map. Mr. Stratton stated that when the survey is done along with the plat map, there is no debate on what we are selling. Mr. Hunt stated that if the Board would like, he could send the cost estimate to Mrs. Olson which will include the cost of deed research. Commissioner Adkins stated that he would like to see the cost estimate on this. Mrs. Olson stated that she believes Lois Smith has pulled the deed for that and she may have a copy in the file and she will scan it in and email it to him today.

The Henry Clay Sewer Project was not listed on the agenda but EDC was working on the design for the project and has been in process for several years. We have been waiting for future funding to actually do construction but this was design only through the army corps of engineers. It was finally submitted last fall and we received comments on the first review of the submittal. It went to Tim Campoy and EDC and he is working on those now to resubmit to the Corps to get to the next phase of the review process. If there was anything they found in the plans or the design that they didn't agree with they made a note in the review for changes.

With regard to the capital items list, Mr. Potter has distributed the list in the last few meetings of items that are needed that will be Mountain Water District capital assets but UMG will make the purchases. The list includes two additional utility trucks to replace two that we have now that are old and have high miles, a boom truck, two extended cab mid-size trucks which are supervisors trucks with over 200,000 miles and are breaking down. Commissioner Casey inquired if once we get the new materials in place, are the old ones declared surplus. Mrs. Olson confirmed that and stated that they are sold as surplus once the Board approves them as such. She reviewed the other items on the list with the Board. Chairperson James inquired if the Board had any questions or comments regarding the capital items list. Commissioner Adkins inquired if this is to approve to go ahead and buy these items. Chairperson James responded in the affirmative. Mrs. Olson stated that we usually spread the purchases out over the year. Commissioner Adkins inquired if this is the same boom truck that was brought up at a meeting before. Mrs. Olson confirmed that it is. Commissioner Adkins inquired if the Board was going to get to approve any of these that are bought if they approve them now. Chairperson James responded stated that she doesn't think

they come back before the Board on these if they are approved. Mrs. Olson stated that those items that fall outside the range of the cost estimates, Mr. Potter may bring back to the Board and any items that require procurement and cost over \$20,000 will be brought to the Board for approval of the bids. Mr. Stratton stated that this is basically a capital budget approval and if the Board wants specific approval on any specific purchase, the Board can request it. Commissioner Adkins stated that he thinks they need to do that and the Board needs to know what is being purchased before they turn somebody loose with the money and have them go buy this. Mrs. Olson stated that for the purchase of the vehicles, we still have to go through the procurement process because they will be in Mountain Water District's name so the District would have to approve advertising them for bid and the bid award. Chairperson James clarified that the only thing we wouldn't be involved in would be the tools and office computers. Mrs. Olson confirmed that. Commissioner Adkins inquired how we know we need them. Chairperson James responded that we rely on our people that manage the District and keep up with the vehicles and let us know when it is needed. Mrs. Olson stated that Mr. Potter has reviewed all of the fleet and equipment and everything that is necessary and has worked with the mechanic to identify at least two (2) of our smaller utility trucks that have such advanced miles on them that they need replaced. Commissioner Adkins stated that they had been criticized before for all the buying and spending without bringing it in front of the Board and without them knowing what was going on. Chairperson James stated that these will come before the Board, but the way she looks at it is UMG is paying for it so she doesn't think that they are going to go buy something that is not necessary if it is their bill. Mrs. Olson reiterated that these vehicles are not new inventory but replacements for items that the District already has. Chairperson James clarified that these will be Mountain Water's vehicles but UMG will be paying for them. Mr. Stratton stated that under the contract UMG has a duty to maintain the District's equipment and at the end of the natural life a truck, for example, they have a duty to replace that truck and because it is over the bidding amount that will come back to the Board for approval. These smaller items are replacement items and they will be put in the District's name. Chairperson James stated that the Board wants them to replace the fleet and if they don't, that would be poor management because they are allowing our equipment to continue to age and if something were to happen they would hand us back equipment that was not in good shape. Commissioner Adkins stated that his concern is looking out for Mountain Water District and expenses. Mr. Stratton stated that his point is well taken and we can approve the budget with the understanding that those items that are required to be bid come back to the Board for approval. Chairperson James requested a motion to approve the capital items budget as presented. With no one making the motion, Commissioner Adkins stated that he thinks they should pass on it until they can get someone in place here that can go over this stuff and come back and report to the Board. Chairperson James inquired if he would feel better if he made an appointment with Mr. Potter to come out here and personally look at the fleet or if all of the Board wants to do that. The Board can see the chairs and their damage and since the first three (3) items seem to be an issue, she inquired if that would be something the Board members would want to do. Commissioner Adkins stated that if they were going to hire someone to do this, they should wait until they are hired and let them report back to the Board. Chairperson James clarified that he is speaking the Administrator position. Commissioner Adkins stated that he didn't care to come over and look at them, it didn't matter to him, but it should be something that the Administrator could handle. Commissioner Casey stated that our workers, particularly those in the office and the conditions that we are looking at here, they've got to have materials to work with and they do a tremendous job. The boom truck seems to be in question, and he inquired from Mrs. Olson if he understood her correctly in saying that Mr. Potter was still reviewing options on that. Mrs. Olson stated that he is correct and anything like that would be brought back to the Board for approval and Mr. Potter is still looking at other options. One was in Ohio and he is trying to make time to get up there and actually test drive it, get hands on and look at it and see before he brings it as an option to the Board. Commissioner Casey made a motion that the Board approve the list other than those top three items because we have to have things to work with. After further discussion, Commissioner Collins made the motion to approve the capital items list as presented with the understanding the any items that fall under the procurement code be brought back before the Board for approval as required. Commissioner Casey withdrew his previous motion and seconded Commissioner Collins' motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-02-012

Mrs. Olson reported that she completed one open records request since the last Board meeting from the Appalachian News Express regarding the correspondence between the Board and the PSC regarding the audit. The letter that she distributed to the Board members was the only correspondence that the Board had. Mr. Stratton added that we received an email from the PSC indicating that the Courier Journal made an open records request to them for that information also.

Mrs. Olson reviewed the remaining Manager's Report with regard to new taps, meter change outs, gallons of water and sewer sold and the revenue amount from that. She then turned the floor over to Mr. Lowe to talk about the on-line payments. Mr. Lowe stated that in January we had 902 on-line payments, which is a new record for one month. Through yesterday we had a record for this month so it is continuing to increase. Last month, including phone payments, we had just short of 2,200 people pay with either a debit or credit card. It is continuing to increase each month.

Mr. Lowe also stated that we had discussed last month about theft of service and how we were going to handle that. He distributed a copy of an article from the previous weekend's News Express. He stated that the article is about theft of water in Elkhorn City. He stated that he wanted the Board to look at this and see if this is the route that the Board would want to go. It seems that this person, who used to be a customer of ours and has been caught for theft of service by us in the past, was stealing water from the Elkhorn City system and they called the police who arrested the man. He was curious if the Board wanted to try this approach in that if we find a theft occurring, to call the police and have them come and investigate it. Mrs. Olson stated that this definitely sends a message to the public. Mr. Stratton stated that this case is over \$300. Mrs. Olson stated that we have talked previously about the policy at MWD of "three strikes and you're out" here. If we find theft of service at the same place a third time, we disconnect it from the main, which is quite expensive on our part and we do try to pass that on to the offender but a lot of times they don't come back on there because they can't afford to reconnect. Maybe we should try this before we disconnect from the main and save the District some time and money. Commissioner Casey stated that he liked this article and the idea. Mr. Spears stated that we are sending these guys out there and they are in some hostile situations when they pull those straight pipes and if we are going to go out there two or three times, we probably need to look at doing something. Commissioner Collins inquired how much money this was costing. Mr. Lowe responded that we catch approximately ten (10) a week. Commissioner Casey inquired if they tamper with the meters also. Mr. Lowe stated that if we turn them off for nonpayment, we put a lock on the meter, and they will cut the lock off and turn the meter back on. The second time we take the meter out, and that's when they put a straight pipe in. Mrs. Olson stated that the billing department does a report every month and the Board had never asked to see it, but it is done each month and lists the illegal hookups for the month. We usually run about 40 to 70 per month. Commissioner Casey stated that the report is something they would like to see. Chairperson James inquired why we would not report it. If someone is hooked up illegally that is theft. Mrs. Olson stated that she believes the reason that has not been done in the past is because of the cost to the District of the legal fees and pursuing it versus the District trying to collect it in-house. Chairperson James stated that it needs to be reported to the authorities. Mr. Stratton stated that we can report them all but the ones that are over \$300 and would be a felony, we can prosecute. Chairperson James stated that the Board can go ahead and instruct UMG employees that if they find anything like that, that they can go ahead and report it to the authorities and have them go out there. Mrs. Olson inquired if that was a policy change that would need to be approved by the

PSC. Mr. Lowe stated that another thing....say it is \$500 and we pull them today, by the end of the day they have come in and paid it and the PSC says we have to hook them back up the same day. Mr. Stratton stated that he would review this with Kevin and check the PSC tariff and make a recommendation at the next Board meeting. Mrs. Olson stated that this completes the MOR.

Chairperson James requested a motion to approve the Monthly Operating Report as presented by Mrs. Olson and Mr. Lowe. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-02-013

NEW BUSINESS

1. LMI Project -

Mrs. Olson stated that Mr. Potter had mentioned to the Board in January about winding down this project and there were four (4) that could be done and went ahead and put those work orders out in the field. She distributed a list of the remaining applicants that we are holding deposits and applications for that will not get a tap with this phase of funding. It is up to the Board on how to handle these remaining residents. Chairperson James inquired if we were holding money deposited on account. Mrs. Olson confirmed that we are holding deposits, additional footage or other fees on these customers. The deposit paid at this time was \$50.00 for each residential applicant. It is now \$75.00 for any new customers since the tariff update. Chairperson James stated that the issue here is that is not any funding left for these applications. Mr. Stratton stated that we have at least a moral duty to advise them that there is no LMI money now available and that they can elect to have their money refunded or we will hold the money and keep them on the list, which makes it their decision. Chairperson James stated that we don't know if we are ever going to get any more for this program. Mr. Spears stated that we would probably have an obligation to pay them interest on these held funds as well, annually. Mr. Stratton stated that the question is if we keep the list and 5 years down the road we come back and have to recreate a list that has been stuck away for that long, it can cause a future problem. Mrs. Olson stated that if we refund everything and cancel all on the list, what are they really losing? They still have their permit in hand so that if they ever want to pay for their water tap, they can still get the water and have their permit. Mr. Lowe stated that all of these paid a \$50 deposit. If we refund their money now, and then we get funding to do LMI taps again, the deposit is now \$75 and they will have to pay more to apply. Chairperson James agreed that we needed to go ahead and do a letter that spells out the information and their option to get the money refunded. If the next budget year comes up and we still don't get funding for this program, then we can refund everyone at that time. Mrs. Olson stated that she just didn't want to get into a point where our billing department has the sole responsibility of tracking these applicants for five years, ten years or until more LMI funds are awarded. Chairperson James requested Mr. Stratton draft a letter to the LMI applicants as discussed.

2. Johns Creek Daycare/PCFC Sewer Contract –

Mr. Olson stated that Mr. Potter met with Zora May last week and she is arranging with Damus Ramey at the county to dig test holes at this facility to test and see if it is a suitable location for a septic system. If all goes well the health department should be able to approve a conventional septic system for Johns Creek Daycare for this location so the permit could be deactivated and MWD would not have to maintain that one. Mr. Stratton stated that he and Roland Case have met and discussed a preliminary agreement, subject to everyone's approval, which would provide a three year contract for a fixed price of \$3,970.83 and if a system came off the plan, there would be a 20% reduction in the fee based on the fact that there are five plants on the system. There would also be a cancellation provision, if they elected to get out of this agreement in time, they can cancel the agreement with 30 days notice. We included a provision that any repairs that would go over \$1500 would be the fiscal court's responsibility to reimburse the District. After discussion, it was decided that Mr. Stratton would amend the \$1500 amount to \$500 because there is not really any profit built into the contract. Mr. Stratton stated that he would get back in touch with Roland Case and get the details worked out and will then bring it back to the Board for approval.

3. MWD/City of Elkhorn City Water Contract –

Mr. Stratton stated that there is no new movement on this issue because Elkhorn City government is still in limbo and he and Mr. Potter agreed that it would not be best to approach them until it was resolved.

4. Big Creek Freewill Baptist Church Billing Issue –

Mr. Stratton stated that this issue has been resolved. The church has agreed to the settlement agreement and says they have disconnected from the service and we just need to send someone out there and confirm it. He has it for the Board to sign. Mr. Lowe inquired if we were going to adjust all the sewer we have billed them off. Mr. Stratton confirmed that to be the case. Mrs. Olson inquired if they have backfilled everything. Mr. Stratton stated we are leaving the system in place and they are saying we can come by and confirm that they have disconnected their side. Mrs. Olson stated that we will have to dig it out at least to where the connection is to verify that they have disconnected from the system.

5. Outsourced Billing –

Mr. Lowe stated that he has spoken to Mr. Stratton about this issue. He distributed a layout of the design of the new bills, the regular bill and delinquent notice. He stated that the shaded blue box will have the customer's 12 month history in bar chart form and the larger box is for us to put in variable information and messages for the public. Mr. Stratton stated that the issue that arose with this was that UMG proposed that the vendor services agreement be in the name of Mountain Water District and that creates a number of issues we have been trying to work through. Primarily, we would have to do a request for proposals in Mountain's name on this, and secondly if Champion ever defaulted then Mountain Water would have to be the party of interest that would seek to enforce the contract. Third, the Board gave permission to UMG to contract this out on their behalf. After a long discussion we believe it should be in UMG's name. It is their responsibility under the contract to do this, they sought our permission to contract it out and we gave it, but it is not something that should be in Mountain's name. Mr. Lowe stated that Mr. Meyer has been consulted about this issue and is fine with it going into UMG's name. Mr. Spears stated that Mountain Water needs to be protected in the case of default. Mr. Stratton stated that what he discussed with Mr. Lowe is that there needs to be a provision that says that if UMG ceases to be the contractor for MWD, this contract is assignable to them. Mr. Lowe stated that it wouldn't be a problem to have that inserted into the contract. Mr. Stratton suggested that the Board requested an assignment in the contract. Mr. Lowe inquired if this can be done by email today. Our goal was

to have the first bill go out by the middle of March when the new cycle starts. We want to get this moving today if possible. Mr. Olson stated that since it will be in UMG's name, we wouldn't need MWD to sign anything and we should be able to handle this today. Chairperson James stated that the bill layout good and asked if anyone had any comments. There were none.

6. Conflict of interest Statements - 2011

Chairperson James stated that those forms need to be turned in today. Mrs. Olson stated that she brought some blank copies if anyone needs one. She also stated that she has already received one from Attorney Dan Stratton and one from UMG.

7. Administrator Position –

Mr. Stratton stated that we received 18 applications for this job and he has forwarded them on to Mike Spears and Commissioner Adkins. They are going to meet after this meeting to set a confirmed time when they can review the applications and set up a time for interviews. The Board may want to look at having a work session to interview the three finalists in executive session. Chairperson James stated that it would be under executive session under the statute. Mr. Stratton stated that they would let the Board know when they were ready to interview the final three applicants.

8. Majestic Alternative Sewer Project -

Mrs. Olson stated that this was covered under the financial report during the meeting.

9. Legal Issues

Executive Session to Discuss Outstanding Litigation and Potential Litigation -

Chairperson James requested a motion to go into executive session to discuss outstanding and potential litigation as listed on the agenda. Commissioner Friend made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-02-014

Chairperson James 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 Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-02-015

Chairperson James requested that Mr. Stratton make a statement at this time. Mr. Stratton requested that the Board authorize their attorney to negotiate a settlement in the Fern Burnette easement issue. Chairperson James made the motion to that effect. Commissioner Collins made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-02-016

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments. Commissioner Adkins inquired if the Board received the inventory report from UMG. Mr. Stratton stated that he did receive it and would get him a copy.

Commissioner Adkins inquired when Daniels Creek got flooded, what was decided to do if those people decided to move somewhere else. Did we decide to hook their water up? He corrected himself to say Harless' Creek. Mrs. Olson stated that she remembers that it was decided that if they came back on service at the same location we would waive the tap fee and set a new tap for them. Commissioner Adkins inquired if the Board ever said that they would hook them back up for free at a different location. Mrs. Olson responded that she didn't think so, but she would check the minutes and see. He requested that she check that for him and she agreed to do so.

Commissioner Adkins inquired if anybody checked on the sewer situation at Buckfield. Mrs. Olson responded that in the minutes of the last meeting Mr. Potter had asked him for the address. She inquired if they ever got together about the location. She thought he was going to go up and look and the area. Commissioner Adkins responded that they did not get together after the last meeting. Mrs. Olson stated that she would ask Mr. Potter about checking the area also.

Commissioner Adkins inquired what was decided about UMG buying tools. Mr. Stratton inquired if Mr. Spears had come to an agreement on the tool issue. Mr. Spears stated that they have come to a complete agreement on that yet. What he proposed to them is that anything over \$500 would go on our repair and maintenance. That's any particular item not invoice. Anything below the \$500 threshold UMG would pay for it out of their pocket. We have no way of monitoring if a guy loses his tools. We can't oversee that. He inquired if that number was satisfactory. Mr. Stratton stated that we can look at doing an addendum to the contract at the next meeting. Mr. Spears stated Mr. Meyers understood the Board's position on this issue.

Commissioner Adkins inquired what was done on the water situation from the man that came to the last Board meeting saying Mountain Enterprises being on a hydrant near his business was causing his bill to go up. Mrs. Olson stated that Grondall did not meet with Mr. Hamilton but did go by both locations that he had an issue with and said that there is no correlation between his bill and anybody being on a hydrant. His meter is too far from the hydrant for one to affect the other, it is not possible. The sewer in the base at the other address is a non issue. Mr. Potter went out and looked at it; the sewer is not running in the meter base. If the line has been cut it doesn't even belong to Mr. Hamilton and is not his issue. Commissioner Adkins inquired about them filling their water trucks up there. Mrs. Olson stated that we can try to monitor and catch as much as we can, but they are not turning in that water to us. Commissioner Adkins responded that that is what he means; he thought someone was going to check on it. Mr. Stratton stated that we need to ask the company if they have been filling up any water trucks. Mrs. Olson stated that she doesn't know if Mr. Potter or anyone else has made that call yet, and we have a crew in every area and if their observe someone taking from a hydrant, they confront them and no one has reported them from the field crew. Mrs. Olson stated that we can call and ask them. They won't admit, but we can ask them.

Mr. Spears stated that the auditors have sent questionnaires for each of the Board members and if each one would fill that out it will only take about 5 minutes today. He stated that if he can get those done today he can get them back in the mail to the auditors.

ADJOURN MEETING

Chairperson James stated that if there were no further comments, she requested a motion be made to adjourn the meeting. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-02-017

MOUNTAIN WATER DISTRICT BOARD OF COMMISSIONERS REGULAR MEETING

March 30, 2011

10:00 AM

ATTENDANCE

Nancy Carolyn Taylor, Private Citizen
Russ Cassady, Appalachian News Express
Jody Hunt, Summit Engineering, Inc.
Doug Griffin, Kenvirons, Inc.
Greg Dotson, Inspector
Mike Spears, Spears Management
Dan Stratton, Stratton, Hogg & Maddox
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Assistant Financial Manager, UMG

CALL TO ORDER

AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, March 30th, 2011 at 10:00 a.m.

Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Kelsey Friend
Commissioner Ancie Casey
Commissioner Prentis Adkins

VISITORS

AGENDA ITEM II

Chairperson James inquired if there were any visitors for today's meeting. Chairperson James recognized Nancy Taylor who inquired what the source of the water in this area is. Mr. Potter responded that both Water Treatment Plants at Pikeville and Marrowbone pull from the Big Sandy River; one on the Russell Fork sector and then after Fishtrap comes in at that area it becomes the Big Sandy. It is virtually the same water source. Mr. Potter inquired where she is from. She responded that she lives in the Johns Creek/Meta area. Mr. Potter stated that that water is actually purchased water from the City of Pikeville. Ms. Taylor inquired if it has been that way for several years and Mr. Potter responded in the affirmative. He also stated that in emergency situations he can bring the Williamson water back to a point, but 99% of the time it is from the City of Pikeville. Chairperson James thanked Ms. Taylor and inquired if there were any more visitors. There were none.

JULY FLOOD UPDATE

Mr. Potter stated that Contract 1 is complete; that is the removal at the pond locations. Contracts 2 & 3 were the contracts being done by H2O Construction and they are basically complete on those and he just received the pay requests. He wants to do a final walk out with the inspector and those should be wrapped up. He requested approval for the Board to sign the pay requests after the final inspection is complete and then he will pass them along. Chairperson James inquired if that was to pay H2O

completely. Mr. Spears confirmed that it was and that he transferred the funds the previous evening to pay it. Mr. Potter stated that the Board can pay the remainder on the first pay requests, but he would recommend letting him complete the final walk through before paying the contractor in full. Chairperson James inquired if the Board has paid the contractor for Contract 1 completely. Mr. Spears confirmed they did that at the previous meeting. Chairperson James requested a motion to approve the final draws on Contracts 2 & 3 of the flood work upon the completion of Mr. Potter's final walk through with the inspector. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-03-001

Chairperson James inquired if we had heard any additional information from FEMA as far as payment. Mr. Potter stated that we have sent an additional letter requesting status and have not heard anything back yet. Mr. Stratton stated that we needed to do a follow up letter. Chairperson James responded that we did that and haven't heard back yet.

APPROVAL OF MINUTES AGENDA ITEM III

Chairperson James requested a motion to approve the minutes of the regular meeting held on February 23rd, 2011 as presented. Commissioner Adkins made the motion to approve the minutes as presented. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-03-002

FINANCIAL REPORT – MIKE SPEARS, CPA AGENDA ITEM IV

Mr. Spears reviewed the financial statements with the Board. Mr. Spears called the Board's attention to the second page of the report and the repair and maintenance section. This section shows whether we are over or under and these numbers are coming directly from our expenditures and we bill that back to UMG. He stated that this number is being broken down between water and sewer and will help us have a historical record each year of the expenditures and it is critical that the Board keeps an eye on the sewer expenditures. He stated that we have continued to transfer funds into the RD and KIA reserves. There is a balance of \$237,000 in the depreciation reserve account and \$178,000 in the R & M reserve account. We were in a million dollar deficit at one point and now have over \$400,000 in those accounts and have made significant strides there. We are still transferring \$100,000 per month into the sinking funds for the bond payments and we received a packet from Rural Development (RD) requesting that we do preauthorized debits from the account. He stated that he knew this was coming, but not this soon. He doesn't see a problem with it and requested that the Board authorize him to fill these forms out and send them back in. We have the funds in there and since we are continuing to transfer funds into the sinking fund, we will have the money to pay the bond payments each time. Mr. Stratton inquired if they are sent a check now or if they are automatically debited. Mr. Spears stated that all new loans are an authorized debit and the older ones are checks. Chairperson James requested a motion to authorize Mr. Spears to

execute the documents to authorize the automatic debit of the RD bond payments from the sinking fund. Commissioner Adkins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-03-003

Mr. Spears completed his review of the financial report with the Board. After review, Chairperson James requested a motion to approve the financial report as presented. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-03-004

PAYMENT OF BILLS

AGENDA ITEM V

Ms. Olson distributed copies of the AP report and the Cash in Bank report to the Commissioners. Mr. Potter stated that the power bill for last month was approximately \$98, 000. Commissioner Casey inquired if it used to be in the mid \$80,000's. Mr. Potter stated that before the rate increase, it averaged about \$67,000 or so. Mr. Lowe added that actually, the month before this it was \$104,000 so this bill went down. Mr. Potter stated that we continually try to look through the off peak hour time frame and run the pumps during those times, if we can. Most of the pump stations are three (3) phase power and when the peak demand factor is higher, there is a higher start out rate and there has been a significant increase in power costs. Mr. Potter reminded them also that with every new water project there are usually two (2) new power bills; one for the pump station and one for the tank that is added to this billed amount. After further review and inquiry if there were any questions from Board members, Chairperson James requested a motion to approve the payment of all bills as presented. Commissioner Friend made the motion to approve the payment of bills as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-005

CUSTOMER ADJUSTMENTS AGENDA ITEM VI

After review and discussion of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of five thousand, nine hundred, and eight dollars and seventy-eight cents (\$5,908.78) as presented. Commissioner Collins made the motion to approve the adjustments as presented. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-006

CONSTRUCTION REPORT AGENDA ITEM VII

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

1. Shelby Valley Sewer Project, Phase III, Section 2:

Mr. Hunt stated that after the final walk out and review of the project with the Division of Water, they were very happy with the project and we received an email this week with an entire page list of things we have to do to close out the project due it being stimulus money. There is a pay request and final draw on this project to close it out. It will probably take another week to get all the documentation completed and he has all the documents with him today that the Board needs to sign to get this project closed out. Mr. Spears stated that the only thing he has left is some final certified notes from them and the final interviews done. Chairperson James inquired if they were cooperating with getting that done. Mr. Spears stated that they are cooperating, but every time they try to set up an interview, it rains.

Commissioner Adkins inquired that when they are doing the sewer projects, how it is determined where they're going to go; how it is determined where the lines will be run. Mr. Hunt stated that the engineering firm does a preliminary estimate and layout and tries to serve as many customers as possible for the less amount of money. That is how it is generally determined. Commissioner Adkins inquired that with the Shelby project, they came down Riddles Crossing and went under the crossing there...how far did you go from there? Mr. Potter responded that it was only a short distance. We were trying to set it up for the next phase of monies, if we receive any, to have the extension to that point to be able to go toward Shelby Bridge. Commissioner Adkins responded that it seems to him that they would have hooked those people up there at Buckfield first and got those before we went down and run under the crossing. We could have spent the money to go under the crossing there and picked up a whole bunch of customers. Mr. Hunt stated that this project was designed back in 2006 or 2007 and there have been several different thoughts there. At the time of the design, we were running a main line down to what we thought was going to be a new plant near Shelby yard and the priority was to get that line there and then apply for more monies for Shelby yard. That way we would have a trunk line to run all these new customers into and they would be served by the new plant. Since then, that has changed. It was thought to be more economical, instead of building a new plant, and as a result of the bids we got back from the Belfry/Pond project; we thought it would be more cost effective to expand the Douglas Plant. That is why that main trunk line was designed through there to begin with. Commissioner Adkins responded that this doesn't help the people up there that has sewer running out in their yard. Mr. Potter responded that basically, the design was shown to the Board with the plans of where the line was intended to go, and the Board approved it, as well as the Division of Water. Mr. Hunt stated that the area to be served also has to be within the 201 Facilities plan, and the 201 plan that was submitted has the main line constructed first and then side lines after the main line is done.

Commissioner Adkins continued by stating that he had another question. With regard to the inspectors on these jobs; he inquired if the engineers pay the inspectors and how that works. Mr. Hunt stated that they have some inspectors on some jobs that work for Summit and some inspectors on some other jobs that are contract. Commissioner Adkins inquired if there is a basic pay they are supposed to be getting and are the engineering firms making money off of them or what. Mr. Hunt stated that it is an agreement with what they work out with the contract inspectors or they get a salary if they work for the company. Commissioner Adkins inquired if there are any laws that regulate what they get paid. Mr. Hunt responded, not that he is aware of. Commissioner Adkins inquired if they make money off of them. Mr. Hunt stated that Summit Engineering tries to make money on everything they do; some projects they don't. Commissioner Adkins inquired if they could have someone look into that and see what it is on that that regulates pay for the inspectors. Mr. Hunt stated that Rural Development regulates what the maximum amount is that can be received for that and the Board holds both the engineer and the inspector to less than what the RD rate allows. Mr. Potter stated that 85% is what the Board had established before. Commissioner Adkins clarified that the engineer is supposed to get 85% and inquired if they get that percentage. Mr. Hunt stated "yes, that is what is in their contract". Mr. Stratton stated that there is an 85% regulation for the engineering fees and a separate allocation of fees for the inspection which is also at 85% of the scale. Mr. Spears stated that RD has a scale and he can provide that to anyone who wants to see it. It is based on the dollar amount of construction, what their pay is and the Board decided a few years ago that they were only going to pay 85% of the RD scale. That is the 85% that Mr. Hunt is referring to. Commissioner Adkins stated that he just wants to make sure that inspectors are getting their right pay. Mr. Stratton stated that he would look into it.

Mr. Hunt stated that there is wrap up change order that balances the quantities used in the project out to \$0 so we can close out the project. Chairperson James clarified that the change order is not for any additional funding. Mr. Hunt responded that it is not. Chairperson James requested a motion to approve a change order to reconcile as-bid quantities to the as-construction quantities. Commissioner Friend made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-03-008

2. Long Fork of Virgie Sewer Project:

Mr. Hunt stated that this project is complete.

3. Belfry/Pond Creek Sewer Project:

Mr. Hunt stated that there is nothing new to report on this project.

4. Hurricane Branch AML Water Supply Project (Ridgeline Rd):

Mr. Hunt stated that the contractor has about ¾ of the residential bases installed and we are still waiting for AEP to connect the power to the tank. Commissioner Adkins inquired what the project time is for these people to get water. Mr. Hunt stated that by the end of April, they should be able to get water, but we won't be able to run the telemetry until the power is run. Mr. Potter stated that any of the Board that has any pull with AEP and can help get the power up there, it would be appreciated. Mr. Potter stated that this project has had its share of issues; the Indiana bat (we couldn't work for several months because of their mating season), and then it went to the Blue Heron (we couldn't work during certain time frames due to their activities) and that hampered the construction of the tank, which hampered the power drop. There have also been easement issues with this project as well. But this project is very close to being completed.

5. Ridgeline Road Water Supply Project (Jonican & Upper Pompey):

Mr. Hunt stated that they are getting ready to submit the design for this project to the Division of Water. It should be finalized this week. Chairperson James stated that we need to update them on that. Mr. Potter stated that once it is submitted he will submit the update to the law firm that approves the expenditure of the \$100,000 given to the District as a penalty for CAM Mining. Chairperson James stated that Mr. Potter can submit the update to them on behalf of the Board. Mr. Potter stated that the Judge Executive has been updated on the progress of these projects also and copied the Chairperson on that.

6. Sycamore of Lower Johns Creek:

Mr. Hunt stated that this project is complete. Mr. Potter stated that this project was turned over to the Board about a week ago. We have begun processing meters and we will begin installing meters this week. Commissioner Casey inquired how long it would be before those customers got the water. Mr. Potter stated that they should begin serving the customers this week as long as they are connected on their side when the meter is set. Chairperson James inquired if that project ended up serving the Gulnare Fire Department. Mr. Potter responded that it did.

7. DOT Project – Pond at Draffin:

Mr. Hunt stated that the contractor has installed about 2000 feet already on this relocation. Mr. Potter stated that there are easement issues with this project and he is going to go up there and try to resolve them this week. The DOT will not generally pay for easements and we did what we could and some may have been missed and he will try to get them resolved. The Board usually authorizes a tap fee amount in exchange for an easement and when water is available, they can pay that back to get a tap. He believes that is what some of the people in the area are interested in. Chairperson James requested a motion to authorize Grondall Potter to negotiate easements for this project in exchange for the cost of tap. Commissioner Collins made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-03-007

8. Scott Fork Industrial Park Water Line Extension:

Mr. Hunt stated that this project is complete and there are some additional funds left over on this project and they are working with the contractor to extend the line an additional 40 or 50 more feet. It has not yet been turned over to the District.

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

1. WTP Expansion/Upgrades:

Mr. Potter stated that the building that has been built to house the control panels and units for the new pump is set outside the plant and our guys are doing the electrical and installing the control panel and begin doing the final tie-ins. Within the next month or two we will be able to get the new pump running. There will be some work involved in tying the PLC controls into the plant and we will have to contract with Kruger to do that because it is proprietary system that they have to come into to work on.

Mr. Potter stated that there is an issue with the intake. It has not been functioning as we anticipated. He sent a letter to Chairperson James informing the Board of this issue and she and Mr. Stratton contacted Tim Campoy on this matter, who got with the structural engineer that helped design this project. The intake, during high water flow events, puts the intake in a bind and not letting it float up and down as necessary, which causes an operational issue of having to send guys out in the middle of the night to try to hoist it with chains to try to balance it. Mr. Campoy is looking into fixes for that issue and is supposed to meet with him and one of the Board who would like to be involved to let us know what they've come up with as possible fixes. Chairperson James stated that the Board has the Operations Committee. Commissioner Collins stated that he thought we had that barge fixed earlier. Mr. Potter responded that it works under normal water events. It is on four (4) collared posts and if the river rises, as with a normal rain, the intake is like a bobber rising up and down normally. But when you have Flannigan let out at 3600 cubic feet per second, the velocity of the river starts to torque the barge and when the river raises 3 feet in 20 minutes, for example, it gets hung. Mr. Spears inquired if there was any kind of fix for it. Mr. Potter stated that he is not an engineer and he will meeting with Mr. Campoy to look at scenarios for fixing the problem and inquired who would like to be the Board's representative to go with him. Chairperson James reiterated that the Board has a Financial Committee and an Operations Committee. We will determine who is on which committee and Tim Campoy can meet with that committee and report back to the Board. Commissioner Collins inquired how old that plant is now. Mr. Potter stated that the plant was put into operation in fall of 2005. The barge was put in operation about a year and a half ago.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

1. Smith Fork of Phelps Sewer Project, Phase II:

Mr. Potter stated that Mr. Griffin is here, but he wanted to say that the fence is in. Mr. Griffin stated that they have found one place they think is an issue that needs to be tied back together

and checked. They are waiting for the stainless steel guide rails to replace in the station. He specified a 3/16" stainless and it has been a little harder to get and a little more expensive, but the cheaper stainless has been corroding quicker. The fencing is up and they are waiting for the top bracket for the rails and the rails themselves. They are checking flows in the area for potential blockages as well. Mr. Potter stated that the telemetry is to be ordered for the station and will be installed. He will get with Mr. Griffin on that. After all the issues are taken care of, we will look at the funding and see where we are. Chairperson James inquired if we have a time frame on the receipt of the steel rails. Mr. Griffin stated that he ordered and they shipped the wrong type. Mr. Potter stated that Bruce with BMM called and him and told him that the company shipped 2 ½" rails when they ordered 2" rails. He told him as soon as he has a new shipping date he would let him know.

2. KY DOT Route 199 Water Line Relocation Project

Mr. Griffin stated that this project is essentially complete. The contractor lacks about 3 tie-ins and start up on the pumps. The power for the pump station was hooked up yesterday. They have about a week's worth of work over and should be done by the next Board meeting. His periodic estimate as to where they are right now is ready for the Board to sign today so he can get that turned in to the highway department and get them paid.

3. KY DOT Airport Water Line Relocation Project

Mr. Griffin stated that this project is complete. He brought Mr. Potter the as-built record drawings today and notified the state that this project is complete.

DRAWS:

Chairperson James inquired what the Pride on the River funds were for. Carrie Hatfield stated that this project has been around since 2006 and we have continued to extend it but it was not closed out and had remaining funds. Mr. Potter stated that it came to his attention and it had about \$20,000 left in it and we are using it for the purchase of sewer repair parts to close it out. Chairperson James requested a motion to approve the draws as submitted. Commissioner Collins made the motion. Commissioner Friend seconded the motion.

SHELBY VALLEY SEWER PROJECT, PHASE III, SECTION 2		
Contract 1	Stimulus Funds	\$ 49,453.55
HURRICANE AML PROJECT (RIDGELINE ROAD)		
Contract 1	AML Funds	\$ 42,519.60
SMITH FORK SEWER PROJECT, PHASE II		
Contract 1	Coal Severance Funds	\$ 12,024.99
RIDGELINE ROAD (JONICAN & UPPER POMPEY)		
Contract 1	CAM Mining Funds	\$ 44,996.50

KYDOT DRAFFIN LINE RELOCATION		
Contract 1	KY DOT	\$ 126,855.00
Contract 1	KY DOT	\$ 5,603.03
PRIDE ON THE RIVER		
Contract 1	Coal Severance Funds	\$ 7,300.00
JULY FLOOD REPAIRS		
Contract 2	Interim Financing Funds	\$ 45,868.85
Contract 3	Interim Financing Funds	\$ 19,882.61

Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-009

MANAGER’S REPORT

AGENDA ITEM VIII

1. Monthly Operating Report:

Division of Enforcement: Mr. Potter stated that he had to go to the Division of Enforcement in Frankfort for TOC violations that occurred in 2010. The City of Pikeville has also has some TOC violations recently as well. He went down and there were three (3) times in 2010 when we exceeded what the EPA recommends for TOC removal rate. TOC’s, or Total Organic Carbon in the water will not hurt you. If it interacts with disinfection product in time throughout the system, it can form what is called Trihalomethanes (TTHAs) and Haloacetic Acids (HAAs) which are regulated by the EPA as harmful compounds. Mountain Water District has never had an MCL violation or exceedance for TTHMs or HAAs in the system. EPA uses TOC as an indicator that it COULD form these in the system. We did not but we were still outside of the EPA’s parameter which is a removal rate of 1.0. We had a .98 and when you fall below that it is hard to bring the average back up and so we were out three (3) times in 2010. He decided to go ahead and have SUVA testing done. It costs a little more than the normal TOC testing but it is a different method that is also approved. Upon doing the SUVA testing in conjunction with the conventional testing, they let us adjust our numbers based on those results which brought us back into compliance. His theory on this is that the river that we get coming from the park area is listed on the DOW website as an exceptional water quality source. It is hard to get something out of the water and get a removal ratio when it is not there. He went down to talk to them about them and told them that although we didn’t meet the EPA’s regulation, there is an issue with this regulation all across the United States with Districts that are having the same issue of meeting the TOC removal ratio but not getting any hits on TTHMs or HAAs. Basically, they said that they didn’t care about that, but we violated it and that is an issue we needed to get up with the EPA on or change the regulations. They gave the options of doing a year of compiling a corrective action plan, sending it to their people for review, coming back to Frankfort for another review on how to correct this or we can just right them a check for \$500 and it will take care of it. He stated that UMG will pay that amount on behalf of the District since compliance is part of the contract.

Utility Crane Truck: Mr. Potter distributed copies of two (2) possibilities for the utility crane truck that the District needs to purchase. He invited anyone that wanted to go see them in person to make the trip with him. Commissioner Collins inquired if either of these two (2) were any good. Commissioner Adkins stated that he likes the Ford. Mr. Potter stated that these were the best looking two (2) that he has found with low mileage that may meet the Board's needs. Both trucks are in Lima, Ohio and he wants to go up and test drive them and again invited any Board member that wanted to go. He told the Board to be aware that they find one that they want, we still have to do the procurement process and the dealer can't hold it, so it may go away before the process is complete. If the Board believes these are acceptable to look at, he will try to make arrangements to make a trip up there to check them out. Commissioner Casey confirmed for the Board that the District needs to have and Mr. Potter should check them out. Commissioner Adkins and Commissioner Friend showed an interest in accompanying Mr. Potter to look at the trucks.

Surplus Property – Marrowbone WTP: Mr. Potter stated that he contacted Summit Engineering and Environmental Design about doing a property survey as Mr. Stratton had suggested. Mr. Hunt sent a quote to do the service and Mr. Campoy never submitted a quote. When contacted, he indicated that it would be near the same amount and he didn't quote it because they were covered up in the field and he didn't think he could get to it quick enough right now. Chairperson James inquired if Summit Engineering had any problem with doing it. Mr. Hunt responded that they did not have a problem with doing and he has spoken to Chairperson James and Mr. Potter both about it and that is a little higher than he anticipated it to be. His surveyor did some research on it and priced it. There are 2 or 3 different right of ways there, a CSX right of way and a highway right of way, and those have to be established off of old maps that may no longer exist. The cost could come in less than the \$3800 quote, depending on what the surveyor finds in the field. Commissioner Adkins stated that the quote is really high for that spot. He has gone up there and looked at and that quote is really high. Commissioner Casey stated that we would be lucky to get \$3800 out of the sale of the property. Chairperson James stated that that is why they asked Mr. Potter to get quotes for doing the property survey to be able to compare and he came back and said it would be basically the same. Mr. Potter stated that he used to these for Summit 20 years ago, but sometime during that time it has changed so that certified land surveyors have to abide by "due diligence" and they have to go back looking at old deeds and there is a lot of research involved. Mr. Griffin stated that the real question is regarding the property that abuts it. Mr. Hunt stated that is why his surveyor told him it was going to be more, because of the ambiguity of the deed and right of way searches. Mr. Stratton stated that the only issue with selling it without a survey is that we have to take whatever is in the description in the deed that we have, which we could do. The only reason that we recommend the survey to begin with was to clarify any questions or neighborhood issues and so we didn't have anybody coming back at the Board about what we sold. Mr. Spears stated that we are leaving ourselves open ended if we don't have a survey to back it up. Mr. Stratton stated that the survey was more for the Board's protection so that we would not oversell what we think we own. Commissioner Adkins inquired what is done on a survey when you can't come up with an answer. Mr. Hunt stated that there is always an answer, but the surveyor does it to the best of his ability and knowledge. He has to do his due diligence and research everything that he knows to research and try to find all the information that could be out there. This deed is so old, it could reference an old Beech tree that was there 40 years ago and is now removed. Some of these old deeds don't give degrees, minutes and seconds; they say "walk southwest 14 paces" or something like that. Mr. Stratton stated that whatever we spend on a survey would be offset by the sale of the property. It is a matter of defining what we are selling. He hasn't seen the deed. Mr. Potter stated that he will get him a copy of it. Mr. Stratton stated that it is not a requirement to survey the property but it was a defensive recommendation. If the Board doesn't want to spend the \$3800 on the survey, he will look at the deed and see if it can be sold as it is. Chairperson James agreed that they should let Mr. Stratton review and deed and make a recommendation at the next meeting.

Graveyard Tank: Mr. Potter stated that he had sent a letter to Chairperson James about a tank in the Marrowbone area that has developed a leak. It is leaking 5 to 8 gallons per minute and is one of the older tanks in the system, installed around 1971. He is putting together a plan to repair it but with potable water you have to take steps to ensure that it is disinfected and it is taken out

of service and hydraulic arrangements of the system have to be made while we do the repair. He just wanted to make the Board aware of the issue. Commissioner Adkins inquired how big the tank was. Mr. Potter responded that it is a 100,000 gallon tank. Commissioner Adkins inquired if that tank had ever been painted or serviced. Mr. Potter stated that back when he first started here, it developed a leak near this location. We had a professional diving company come in and try to use aquastop, which is an NSF AWWF approved product to stop the leak. It worked for a while and then failed. Then we took the tank out of service and made arrangements, which is tough on the system, to reroute the system around, dead head the system, chlorinate and all of that. We went in and re-plated part of the tank and painted the portion on the inside that was repaired. Disinfected it, done the whole process of sampling and then put it back in service. This is just an older tank. He is in the process of developing a plan to repair this but wanted to make the Board aware that this is what he considers to be outside the realm of normal repair and maintenance in the system. If Mr. Spears starts telling you that maintenance is going up, these are some of the issues you are facing. Commissioner Casey stated that we should have some kind of rotation on these tanks to paint them also. Mr. Potter stated that he brought that up to the Board about a year ago and presented proposals but a decision was not made at that time. Commissioner Casey stated that they need to make one because this is the life of the system. Mr. Potter stated that it is time to do maintenance on the system and the Board needs a maintenance contract to take care of these tanks. We had some quotes and it was tabled a while back, but it needs to be revisited. Commissioner Adkins inquired if the Board should have someone to bring these issues back up ever so often. Chairperson James responded that her thought on it is this, the Board has some money coming up in Coal Severance tax money that we are assuming will get funded in April and what she would like to propose that they do is get UMG to present to the Board a prioritization of some of these items and set up a work session to review them as well as include the subject of the funding coming down for the debt service, to make some decisions on this. We need to set up a work session between now and the April meeting to explore our options. Mr. Spears inquired if we could get a list of all the tanks and the condition they are in. Mr. Potter stated that that has been done by the company that came in and did a quote. They set out a schedule for maintenance on all of them also. Commissioners Casey and Collins stated that Mr. Potter should bring those to the work session as well. Commissioner Adkins reiterated that what he was talking about earlier was that some of these issues that have been brought up never seem to come back to the table again and we need some kind of form to keep bringing these issues up until we get them resolved. Mr. Potter responded that when they get the Administrator, that is somebody that can deal with that and keep things on track. That is why he brings things up like this that needs to be revisited.

Prater Construction Issues: Mr. Potter stated that he has spoken about this issue and has sent Mr. Stratton a letter about the issue of line depths where people have been covering over the District's lines and now they are inaccessible where the right of way was. We have several locations like that and we had a leak on Prater Drive and found that the line is about 20 feet deep. We have talked about sending letters to these people telling them that they need to pay to have the line relocated to the proper depth. When we find these in the future he will inform Mr. Stratton to go through the process we have discussed before. Commissioner Casey inquired what the damage done to the line referenced in the letter. Mr. Potter stated that the damage to line on Prater Drive is that it is too deep. The contractor has filled the area and created more roads and he put a drain in at that location. Two or three weeks ago during the heavy rains, the drain stopped up, took the road out and exposed the line at 20 feet deep. Mr. Stratton stated that we need to write a letter to Prater Construction notifying them of the issue. The question for the Board is, is that something that we step in and repair it and send him the bill or do we say he needs to repair it under our inspection and approval. Commissioner Casey stated that we need to make sure it is done properly. Chairperson James agreed that that is our greatest concern. Mr. Potter stated it is like a line extension or he can engage a contractor to do it, as long as they meet the Board's stipulations on your lines. Or, we could look at doing it, but UMG does not have construction crews anymore and basically just do maintenance. The line has been repaired temporarily but is still too deep. Mr. Potter stated that the second issue is with a 1" line at Big Creek that was repaired with PVC and other parts that we do not use. UMG employees told the homeowner this was not our line, it must be their line or something else. That is when the homeowner told our guys that Prater Construction had been there doing work for them, he broke

the copper line and put it back together like that. He allegedly performed work on the District's water line without notifying anyone. We repaired it back correctly, but he wanted to make the Board aware that this is happening in the system. Mr. Stratton stated that he will get with Mr. Potter and determine the specifics, but he thinks we can notify him that the line needs to be relocated at the proper depth at his expense subject to our supervision and inspection. Then, if he is willing to do that, fine. If he is not willing to do that, then the other option would be that we bid out the relocation of this line and send him the bill for that. Commissioner Casey stated that he didn't see why people put these lines back together...that should be Mountain Water doing that because what if they are installed improperly or it is contaminated. We become liable for that. He should have notified us and let us repair the damage. Mr. Stratton stated that that is all well and good, but what has happened is it's like the kid that breaks the lamp and he glues it back together and hopes nobody finds it. There is no way we could ever enforce requiring somebody to notify us. The only thing we are going to do is catch it when the lamp falls over and we see that has already been broken. Subject to the Board's approval, he will do a letter and get with Mr. Potter on the specifications and the depth and give him 90 days to rectify this situation. Mr. Potter stated that this won't become a huge issue unless there is a leak that he can't get to. Commissioner Collins commented that we need to get it corrected now. Mr. Stratton stated that we need to designate an inspector. Commissioner Adkins stated that this has been an ongoing thing up there. Mr. Potter stated that it is here and other areas in the county where people have encroached and filled other issues. Commissioner Collins inquired if this is like the situation at Raccoon Creek where those people have filled and filled and covered over our line very deep. Mr. Potter stated that the Administrator could be used to do some inspection on a case by case basis. He suggested waiting to see how Mr. Prate responds and then go from there. The Board agreed.

Utility Trucks: Mr. Potter stated that he went ahead and put out the bid where he got authorization last fall when we were talking about it, to replace two (2) utility trucks. Those bids are out for service trucks. They are scheduled to come in April 8th and he wanted to let the Board know, and they will be coming to Dan's office for opening on that day. He would like authorization to take the applicable low bid and get that process going to get those trucks or let Chairperson James, or whomever, make the decision on the low bid and proceed with getting the trucks ordered. Mr. Stratton inquired of the date. Mr. Potter stated it is April 8th for the bid opening at 10:00 am. No further action was taken at this time.

Damron Ratliff Road: Mr. Potter continued that he had some good news. Damron Ratliff Road on Harless Creek at Marrowbone is a right handed hollow past the water plant about a quarter of a mile. There is no water at that location. He had asked before from Phillip Bowling with Abandoned Mine Lands and Jody Hunt with Summit to keep an eye out and please review certain areas again where maybe we can help get funding to provide water to some areas. Mr. Bowling called Mr. Hunt last week saying that he had looked at Damron Ratliff Road again and there is a chance that they may be eligible for AML funding. It would serve about 5 or 6 homes. We have been advised to ask the Board to give authorization to do the official study on it. It won't cost the Board anything. We have worked that up and showed it to Chairperson James and let her sign it and sent it in, hopefully to get funding for that area.

2003 Flood, PW 878: We were notified by FEMA that no one had ever applied for the final wrap up of this and there was about \$68,000 down there for it. They had a couple of different PWs and said that if we could find the documentation for the final on this they would process it and send us the money. Mrs. Olson has spent two weeks going to storage, pulling invoices and researching documents from 2003. We found enough documentation to provide at least \$80,000 worth of documentation from that time frame for PW 878. FEMA only pays about 75% of it if they accept what we sent them. We did the best we could and sent in what information we found and he wanted to make the Board aware that it is out there.

Phelps-Freeburn WWTP: Mr. Potter stated that he sent Chairperson James a letter on this the other day informing the Board that the Phelps Freeburn WWTP has some issues. There are certain items missing, we have talked about it before; it does not have an auto sampler which is required by the Division of Water, it does not have an inflow meter or a chart recorder, it does not have a press (which was initially supposed to be in the project and was later cut out), the UV

system has been a problem from the beginning (\$20,000 was spent last year on completely going through the system and tying it back in which did not end up correcting the problem). We had been having trouble meeting our kill ratios on the e-coli and it got to the point where we needed to go through it again. He is notifying the Board that the technician for Aquionics that built this UV system, was just in and went through the whole thing again and alluded to the fact that it is not necessarily designed to handle the flow capacity of 500 gallons per minute coming out of it. There is not enough time with the UV radiation to get the kill factor. UMG is recommending that the District engage an engineer to look at revising the plant. He is anticipating not being able to keep the District in compliance. It is not so much the operation as it is the design of the system. He would recommend trying to do a chlorination/dechlorination system if there is enough room. Chairperson James stated that their legal counsel is advising them to go ahead and act on this now, and she requested a motion to authorize the advertisement for Request for Qualifications and Request for Proposals for this project. Commissioner Collins made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-010

FEMA Mitigation Project: Mr. Potter continued by stated that he had applied for mitigation money to relocate some of the sites that continually get flooded during these high water events. Mrs. Olson has researched documentation showing that this happens on a routine basis but you have to meet some threshold levels. They took our initial information that was sent in and now they are requesting more. We will do the best we can and if we can meet that we will. Summit is working on this through Trish Varney.

New DOT Projects: Mr. Potter stated that there are two (2) new DOT relocation projects coming up that he is going to meet on tomorrow with Dave Skeens. One is at Smith Fork of Phelps at the bridge and the other is at Buckfield. They have redesigned what they are going to do with it and it is now outside the scope of that and needs looked at also. Mr. Griffin stated that there are 2 more at Route 199 that are just waiting for them to say go ahead with. Mr. Potter stated that the Board needs to engage an engineer for the Smith Fork and Buckfield projects to be the Board's representative. Chairperson James inquired if the engineering is at their cost. Mr. Potter stated that all highway department relocations are paid for by the highway department with the exception of easement issues (unless there are mitigating factors that can be appealed to them for help). That includes engineering costs. He gave the Chairperson a copy of the latest prequalified engineers list by the highway department. Chairperson James stated that she had reviewed the list and the only local engineer that she saw on the list was Summit Engineering. Mr. Griffin stated that they just got a project the other day. He stated Kenvirons is not on that list and he is going to check with Dave Skeens and see what happened on that. The Chairperson acknowledged that Kenvirons does currently have two (2) DOT projects that they are working on now. Mr. Griffin stated that there are two current ones and two that are already done, the Airport being one of them. Chairperson James reiterated that Summit is the only firm currently on the prequalified list from the DOT and they are awaiting the Board's decision on this. She inquired if the Board members have any questions on this issue. Mr. Potter stated that the Board could wait and make a decision but it would need to be soon and probably during a special called meeting. Chairperson James inquired from Mr. Hunt if Summit had a problem with doing these DOT projects. She inquired if any of the Board members had any questions, comments or motions that they wanted to make. Mr. Stratton stated that the reason we are not doing an RFQ on this is that is a fairly simple project and well within the capacity of the firms that we use. Mr. Potter stated that the Board is not spending any monies on it either. Commissioner Collins made a motion to

approve Summit Engineering to provide engineering services for the Smith Fork and Buckfield DOT projects. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-011

Outsourced Billing: Mr. Lowe handed out examples of what the bill and delinquent notice will look like. After discussion the Board agreed that they were pleased with the layout and look of the bills. Mr. Potter stated that these will be a better way to do billing and the Board can insert anything they want in the bills without extra postage costs, just the cost of printing. Mr. Spears inquired if we needed to put anything on there about the fee for paying by credit card. Mr. Lowe stated that it can be added in the blue shaded box which is variable and can be changed from bill to bill. Mr. Potter stated that there will also be a return envelope included with each bill. Mr. Spears stated that it has been shown that revenue turnaround is faster when you include a return envelope.

LMI Project: Mr. Potter stated that this is basically wrapped up. With what little bit of monies is left he will purchase stock parts to keep on hand. Mr. Stratton had discussed sending a letter telling people that the project is over and the Chairperson is to talk to him about how the Board wants to handle that.

Mr. Potter reviewed the MOR with Board from paid taps to sampling and any other information. He called their attention to the fact that they do have his certification for the month that to the best of his knowledge UMG has performed their functions in accordance with the Board's policies and with DOW standards.

NEW BUSINESS

1. LMI Project -

Chairperson James stated that she had reviewed the letter that legal counsel had prepared to send to the LMI applicants that will not be served in this phase of funding and after review of the letter she wanted the Board to decide how to handle this issue. Instead of continuing to hold people's money indefinitely, shouldn't we just go ahead and send their money back and say that we don't have any idea if or when this will ever be funded again and that is why we are returning their money. What if down the road it gets funded again and the cost is more, then you have some people whom you have held their money getting it for a lower cost than others. It could be an issue in the future. Mr. Spears stated that the Board would also to cut interest checks to those people as well if the Board held those funds. The Board agreed that it would be better to refund all the money across the board and explain it to the applicants that were left in the form of letter and refund check. Chairperson James requested a motion to that effect. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-012

Chairperson James made a motion to approve the Managers Monthly Operating Report as presented. Commissioner Adkins made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-013

2. Johns Creek Daycare/PCFC Sewer Contract –

Chairperson James stated that she spoke with Roland Case, Pike County Attorney, concerning this issue and it is her understanding that the court is looking into hiring their own person to take this over. As we talked before, we have notified the court the cost to fix this plant would be upwards of \$30,000. We talked with the health department to see if there were other options for the court such as a conventional septic system and they have declined to that saying that it won't work at that location. So we are back to where we were. We have sent a contract to the court for the monthly cost of maintaining their plants. The issue still remains that the Johns Creek Daycare Plant is still in major disrepair. If the court wants to take it that is fine. Mr. Stratton stated that MWD operates the court's plants on their behalf but it is still their plant. If a plant breaks down it is the county's obligation to fix it. Chairperson James stated that she has told Mr. Case that MWD needs a decision from the court pretty soon because we have been put on notice from UMG that this plant is in major disrepair and could get into a violation situation unless it is repaired soon. Mr. Stratton stated that the other issue is that there are 5 or 6 other plants tied to this contract. Johns Creek is just the only plant we have an immediate issue with. We have been trying to look at bringing an updated operating agreement for all the plants and he doesn't mind carving Johns Creek out of it, but we may have to notify the county that effective a certain date, we can no longer maintain this plant because of operating issues. Chairperson James stated that she has told Mr. Case that the Board may be going to give the court a time frame as to when they need to respond as to what they intend to do. It was decided that Mr. Stratton to send a letter giving the Pike County Fiscal Court ninety (90) days to respond with their intentions and/or repair the plant or MWD will cease to operate it. Chairperson James requested a motion to that effect. Commissioner Adkins made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-014

3. MWD/City of Elkhorn City Water Contract –

Mr. Stratton stated that the contract has been sent to Tim Belcher, legal counsel for Elkhorn City. He has not gotten back a response as of yet. He will continue to try to contact him and get their response to the contract.

4. Theft of Service Issue –

Mr. Potter had Mrs. Olson distribute the theft of service report for the month of February. He stated that it continuing to be on the rise. We got a call from Mingo County, West Virginia this month because they found one of Mountain Water District's meters in their system. They did some detective work and called us with the meter number and it was ours. They arrested two (2) individuals and are looking for a third. It had been stolen from the District in the Turkey Creek area and if it is stolen out of someone's meter base, the Board's only recourse is to bill the property owner. He passed this information on to the Pike County Sheriff's office and they took it to Howard Keith Hall's office. All we can actually recover is the cost of the meter and labor, which is a little over \$200.00. This is a continual issue. Mr. Stratton stated that Kevin Lowe has done some excellent work on a new policy regarding this issue. A copy was distributed to the Board. It provides that if any account is two (2) months past due is shall be disconnected for non-payment. If it is disconnected at the request of the customer, it will have a lock placed on the meter. If the District finds the meter has been tampered with upon a follow up inspection, it will constitute theft of services. If it is under \$500 we will report it to the County Attorney and let them handle it but over \$500, which makes it a Class D felony, we will push for prosecution. Mr. Potter stated that the News Express reported a few weeks ago that Elkhorn City had an issue of theft of service and the guys reading the meter called the police right then and had the person arrested. Chairperson James requested a motion to adopt the theft of service policy as presented. Commissioner Casey made the motion. Commissioner Adkins seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-015

Commissioner Casey commended Mr. Lowe for the excellent work he did drafting the policy.

5. PSC Information Request –

Mr. Stratton stated that we have replied within the deadline period with all the information that the Public Service Commission requested except for those items that were not in our possession. We have not heard anything back from them as of yet.

6. Amendment to MWD/UMG Contract – Hand Tools -

Mr. Stratton stated that he has drafted an amendment to the contract and sent it to Mike Spears and Bob Meyer on Monday. Mr. Meyer has asked for some additional time to review it and he will get back to us and we should have it by the next meeting. Mr. Spears stated that as of now, UMG has been complying with its terms already.

7. Administrator Position –

Mr. Stratton stated that the committee has met on this issue and what he would like to do is to inform the Board on the process and procedures and he has names and packages to review on the applications and this will fall under the exception to the open meetings rules because it concerns the appointment of an individual. He stated that he, Commissioner Adkins and Mr. Spears had met on two (2) separate occasions and interviewed six (6) individuals. One individual withdrew from consideration. They were all excellent interviews and everyone did very well. We have submitted three (3) recommendations for the Board's consideration. We have informed the candidates that we anticipate a work session where they would be brought in for a second interview by the Board. The Board will do these interviews in executive session and then make a determination on a successful candidate. He would then notify the candidates that were not selected for a second interview. He presented a packet for each Board member that contains the resumes and applications for each of the three (3) candidates selected to interview. He suggested that we add to the executive session discussion of the individual applicants on the administrator position in case anyone has a question on that. Mr. Potter inquired if the Board would like to go ahead and set a date for the work session so Mrs. Olson can comply with open meetings laws. After discussion, the decision was made to hold the work session to interview applicants on April 11, 2011 at 2:00 pm.

Chairperson James inquired if the Board wanted to schedule the work session to discuss the system maintenance and the Coal Severance funding coming up. Commissioner Casey suggested it all be done at the same time so they wouldn't have to meet so many times. Chairperson James stated that these items will take a while to cover. Mr. Spears suggested doing the interviews separate because we don't want crowds here with them walking in and out because they do have other jobs and may not want their current employer knowing that they have been to an interview for another job. Just something to think about. Mr. Stratton suggested dropping down to the week of the 18th. Chairperson James stated that the 19th is fine with her. Commissioner Casey agreed that it would be fine with him. After discussion, the decision was made to hold the maintenance and Coal Severance funding work session on April 19th at 2:00 pm.

8. Majestic Alternative Sewer Project -

Mr. Potter stated that Mike Spears was going to the Administration on this project and the paperwork that we are ready has been sent in. He has been meeting with the health department about putting in the alternative experimental type units that will actually do treatment on site. He envisions this project working under the health department's supervision since it is onsite discharge. If we do a direct discharge to a blue line stream it becomes Division of Water. To try to clean up areas where we don't have to put in force mains and can go to the problem areas and work on them, we are going to try to do this onsite and work it through the health department for failing septic systems and homes with straight pipes. Big Sandy Area Development District and PRIDE helped identify areas in the county with failing systems or straight pipes and came up with the number of about 3,500 to 3,600 homes about 8 years ago. This is a project that we are hoping will prove to be an alternative due to limited space at sites. Majestic was chosen because preliminary samples had already been done showing the e-coli and fecal count. He has been working with the health department to establish protocols since this is a new and different thing; how we are going to work it to get it going. He is meeting with Magistrate Dotson at the health department next week to inform him about the project and to educate the community on it.

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

Chairperson James requested a motion to go into executive session to discuss outstanding and potential litigation as listed on the agenda as well as the item of Administrator applicant information that the Board may want clarified on any of the individuals. Commissioner Casey made the motion. Commissioner Friend seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-016

Chairperson James requested a motion to reconvene from executive session where outstanding and potential litigation was discussed as listed on the agenda as well as any clarification of individual applicant information for the Administrator position. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

Chairperson Rhonda James	Aye
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. 11-03-017

Chairperson James stated that there were no actions to be taken related to any item discussed in the executive session.

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments.

Commissioner Adkins stated that he had asked Mrs. Olson to look at the minutes from the Harless' Creek flood area regarding the relocation of the people up there. Mrs. Olson confirmed that he did ask her to do that and stated that she would get those minutes for him today. Commissioner Adkins stated that he had also asked Dan about it and he had said that it may under any emergency orders. That we made a comment that anyone that was flooded in that area, if they moved or whatever in the area and we had water, we could set them a meter if they weren't going back to that location. Mrs. Olson stated that she will pull the minutes but was pretty certain that the Board said that if they came back to the same location we would provide a meter and waive the installation fee, not if they moved somewhere else. Mr. Potter

agreed with that statement. Mr. Potter stated that the Board had said that if the flood took a meter base out and the house was uninhabitable, if they brought a double wide in and worked with the health department about getting the sewer put back in.....we did not put those back at that time because they were washed off and gone. But if they did decide to come back to the property and inhabit it again, we would put those meters back free of charge. Commissioner Adkins stated that he would like to see the minutes on it. Mrs. Olson reiterated that she would get them for him and left the meeting to print those for the Commissioner.

Commissioner Adkins continued by inquiring if the water that was taken at Shelby at the blacktop plant was followed up on. Mr. Potter stated that he had gone to the location and done a test on that and he called and notified them, and it was researched that they (Mountain Enterprises) do call when they take water from places out in the county and has been paying for that water. He went up there and had UMG employees do a test and when that hydrant is running, that meter does not turn. Commissioner Adkins inquired how many times they had reported taking water from that hydrant and if people just take water without reporting it. Mr. Potter stated that yes, that is an issue that the Board has. Mr. Potter stated that he could look at the records on that but he didn't think there were any instances from that location. We have no way of knowing if they are actually taking water from that hydrant. This happens on Coon Creek, Johns Creek, at the bottom of the ramp...and when we get a report and get out there whoever it is is gone. Commissioner Adkins inquired if anyone asked Mountain Enterprises if they were taking water from that hydrant. Mr. Potter stated that he had asked them and they said that they had their own hydrant and own meters over there. Chairperson James inquired if they had their own hydrant over there why would they use another hydrant. Mr. Potter stated that he doesn't know. It would be speculation on his part to say. He has asked people before up Coon Creek that if they see anyone taking water, to get him a license plate number or some kind of identifying information and he would go through the Sheriff's department. Commissioner Adkins stated that that is what he was talking about bringing some of this stuff back up, we don't get a follow up on it...like he asked for the minutes. Mr. Potter stated that some of it he can't follow up on....if someone tells him "no". Commissioner Adkins stated that he asked for that at the last meeting and was told we'd have to go out there. Commissioner Collins stated that he has made an assumption on this one guy because he has a big clear tank and it is happening on a regular weekly basis. Commissioner Casey stated that this is wrong if they are not paying for it. Mr. Potter stated that are people hauling water to residents in the Ridgeline area and Marrowbone area and others who don't pay to take it out of the hydrants. Commissioner Adkins inquired if anyone is checking on it. Chairperson James stated that there is no checking on it, the county is allowing it to happen. The fire departments go and fill up the tanks and they deliver it to the people and no one is paying for it. Commissioner Adkins stated that he can see that with the county helping the people. He knows it is costing the District money. He has seen some of the places that have to deal with washing their clothes and drinking that water that is bad in some of these areas. Chairperson James responded that when she was down at Cave Run Lake she was delivered water and she paid for that water. That is one thing that we need to do something about and is an issue, in her opinion, that we need to work out with the county in allowing the fire departments to charge for the water, because they are using fire trucks to do this that service the people for fire and if they are out delivering water, what are they supposed to do if a fire happens....plus their gas and the wear and tear on their vehicles. They need to be able to charge for that. And those people need to have to pay for their water just like we do and then the District can then charge them and they pay their portion. Commissioner Adkins responded that it goes back to the legislature who ought to have something done to these coal companies and gas companies that have ruined these people's water. Chairperson James responded that that is right but it should be the customers of the District who have to pay for it. Commissioner Adkins stated that if we can stand it...maybe he is wrong but he has seen people go through a lot having to use it. He stated that he is not anti-coal but he is saying people need to take responsibility for what they do and a lot of this coal issue is not the people around here it is the companies doing it...not the people. Half of them, if they knew all the details on it, there would be more of an uproar on it. Chairperson James inquired if anyone had anything else.

Commissioner Adkins continued by saying that he wanted to put before the Board a vote on putting sewer to these people's places up Buckfield. He made a motion to that effect. Chairperson James stated that we needed to discuss the cost of that project and all of that. She inquired if Commissioner Adkins had a suggestion on where we would get funding for that. He responded that he did not. Mr. Potter stated that he had done a preliminary cost on this issue and showed the Board a map that indicates the area in question. This requires a CSX easement for the railroad and as long as you are dealing railroad, it needs

to be either ductile iron or encased in steel. He confirmed that with Mr. Hunt of Summit Engineering who agreed with that statement. Commissioner Adkins stated that he has been told that there are those who deals with it and goes on. Mr. Stratton inquired what the cost estimate amount is. Mr. Potter stated that rough numbers show the cost for about 1200' of sewer extension would be \$40,000 without counting the railroad the permit. Mr. Hunt stated that the CSX permit would cost about \$6,000. Chairperson James stated that what we can do is to get them to look into it more in depth and put something together for future funding request for Coal Severance funding which could be added to the priority list for 2012. Ridgeline is also one of those projects that we are trying to get funds for. Commissioner Adkins stated that is fine. Commissioner Adkins' motion died on the floor without a second. Chairperson James directed Mr. Potter to put together a detailed estimate so we can put it on the list to request funding. Mr. Hunt stated that he would work with him on that and help him get the latest numbers on what CSX is currently charging for permitting.

Commissioner Adkins inquired if the grinder pumps that were at Shelby Valley got back to Phelps. Mr. Potter stated that they are currently being stored at Douglas. The District gets additional pumps with the projects and those are like "in kind" parts and we have them stored up there. They don't necessarily go to Phelps, but any project you have with sewer, additional parts are bought with. Mr. Potter stated that if the Board wants them moved over to Phelps he can, but we usually use them out in the system. Mr. Stratton inquired if they are dedicated to the Phelps project or if they came ambiguous and they are ours. Mr. Potter stated that the District buys them. They are theirs. If there are additional left over on a project, they belong to the District. At the end of each project if there is additional funding, we get units or parts to be utilized for the sewer system from the project. Commissioner Adkins stated that he was under the impression that they were supposed to be back over there. Mr. Stratton clarified that everything at Phelps that was planned to go in at Phelps has been put in and these are left over units. Mr. Potter confirmed that as correct and they can be used anywhere in the system. Mr. Hunt stated that they are shipped to Shelby because that is where the District's tear down and maintenance facility for grinder units is located. Mrs. Olson stated that the reason this became an issue was that the District had asked the engineer of the Smith Fork Project for an inventory accounting. They are aware that we know they are at Shelby and are included in that accounting.

Mrs. Olson also stated to Commissioner Adkins that with regard to the minutes from the time after the July, 2010 flood, the part that he is looking for is close to where the motion was made and the Board voted in the Flood Update section. The Board discussed procedures for the adjustments during the emergency situation and that the District would reclaim any meters that were wash out that we could find and a note would be put in the customer's file and in the event that they came back on service we would waive the installation fee. Commissioner Adkins stated that he just knew he would get a call and was just trying to get an answer for someone.

ADJOURN MEETING

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

Chairperson Rhonda James	Aye
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. 11-03-018

MOUNTAIN WATER DISTRICT

BOARD OF COMMISSIONERS REGULAR MEETING

April 27, 2011

10:00 AM

ATTENDANCE

Russ Cassady, Appalachian News Express
Doug Griffin, Kenvirons, Inc.
Greg Dotson, Inspector
Mike Spears, Spears Management
Stephen Hogg, Stratton, Hogg & Maddox
Bob Meyer, Controller, UMG
Grondall Potter, Manager, UMG
Tammy Olson, Office/Compliance Manager, UMG
Kevin Lowe, Office/Finance Manager, UMG
Carrie Hatfield, Assistant Financial Manager, UMG

CALL TO ORDER

AGENDA ITEM I

The Mountain Water District Board of Commissioners Regular Meeting was held on Wednesday, April 27th, 2011 at 10:00 a.m.

Commissioners were present for the meeting as follows:

Chairperson Rhonda James
Commissioner Lester "John" Collins
Commissioner Ancie Casey

Commissioner Friend and Commissioner Adkins were absent for this meeting.

VISITORS

AGENDA ITEM II

Chairperson James inquired if there were any visitors for today's meeting. Mr. Lowe stated that the customer was not in attendance but sent a letter to present to the Board that he had distributed to the Board members. They came in March 29th and got a leak adjustment. Their next bill was high also and it appears the leak overlapped into the next bill and they did not wait to get the adjustment until the entire leak was billed. They are requesting another adjustment and have been told that we cannot do that; they only get the one per year. He lives in Ohio and could not attend today. He is claiming he was not told to wait until his next bill, but the leak adjustment he signed stated that he is only eligible for one every 12 months. Chairperson James stated that that is our policy and we have had to turn other people down because of the policy, and you can't make exceptions for one or you have to for all and then what is the point of having a policy. She inquired what the Board members thoughts are on that issue. Commissioner Casey agreed with her statement. Commissioner Collins also agreed. Chairperson James inquired if the Board also thought that it would be appropriate to have Mr. Lowe write this customer a letter stating that while we understand what he is requesting, that is the Board's policy and we have to adhere to our policies and treat everyone the same way. The Board agreed that Mr. Lowe would communicate their decision to the customer.

JULY FLOOD UPDATE

Mr. Potter stated that with regard to the initial PWs that were sent in on the emergency/temporary work, they have been in for quite some time and the Board has sent a couple of letters requesting the aid of Hal Roger's office to move the funding along and we have sent another letter recently and got a response

back from Chris Girdler with Hal Roger's office saying that they are staying on top of it but we really don't have an update on when the funding is coming down. Everything else with the contract flood repairs has been done and he and Mrs. Olson have discussed that it is now time to start submission and process of the next PWs for the completed work. We will be working with Bob to get the PW draws in for this work. He wouldn't get too excited about getting that funding anytime soon, because he just had a meeting with a FEMA representative from the 2003 to do a final walk on a PW from it, then he called and cancelled because he thought he had enough to process the claim now. That was the \$60,000 to \$70,000 that was found still hanging out there and we have been trying to wrap that up on the Board's behalf. Now we have to submit that information for the permanent work PWs turned in as work to be completed. Chairperson James inquired if we have received any funds at all. Mr. Potter stated that we have not and that is why we have been communicating with Chris Girdler to try and help us because we know the county has gotten some of their money back. Chairperson James confirmed this and stated that she doesn't understand why the District has not gotten any funding at all. She stated that Board would like for someone with UMG to contact and inquire about the funding every week until something is done or funds are received on this. Mr. Potter directed Mrs. Olson to contact Hal Roger's office or FEMA every Monday until we get some funding in.

Mr. Potter stated that Commissioner Adkins had asked about the hook ups for flood affected residents and Mrs. Olson had looked back on that for Harless' Creek and what we were looking at was those areas only at that time and it didn't specifically say that, but the Board was talking about rebuilding in the same location, not if they moved anywhere else in the county. Chairperson James agreed with that, that it was for the affected zones only. There is no way we can pay for taps for people who want to relocate all over the county and that was not the intention of the Board at that time. Mrs. Olson stated that she wanted the Board to know to know that she had responded to Commissioner Adkins by email and let him know that she had checked the tapes and the tapes reflect the minutes that she had given to him. Mr. Potter stated that the Board does not have to wait until the Board meets to ask a question. They can call him, David Taylor or Mrs. Olson anytime. If it is an issue that should be addressed here in the meeting, it can be added to the agenda for discussion and we can be prepared to address it.

Mr. Potter also stated that we have had rains come in about every 4 days since Christmas and have another one coming. Every time he sees severe weather coming, he implements what he calls "emergency procedures". He calls the water plant and tells them that he wants all the tanks raised and all the clear wells up to maximum capacity. We are trying to stay set up for it. We are expecting another 1-3 inches of rainfall today.

APPROVAL OF MINUTES **AGENDA ITEM III**

Chairperson James requested a motion to approve the minutes of the regular meeting held on March 30th, 2011 as presented. Commissioner Collins made the motion to approve the minutes as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution 11-04-006

FINANCIAL REPORT – MIKE SPEARS, CPA **AGENDA ITEM IV**

Mr. Spears distributed the financial statements to the Board. He stated that cash in bank was \$433,770 which is down t his month. Accounts receivable is \$821,009 and plant and service is \$94,781,390. Accounts payable is \$277,768. He called the Board's attention to page 3 of the financials and stated that we had a little larger loss than normal and our revenues for March were down. According to the financials

historical record, our water sales were \$712,444 and a year ago they were \$738,933 which is about a 3% or 4% decrease in sales revenue for the month of March. With that in mind, they did some research and found that February's revenues were \$758,000, which was unusually high, and Mr. Lowe gave him the read dates and we were billing for 31 or 32 days in February and this month we billed for 29 and 30 days. Those 2 days is about our 4% decrease. At the end of the year with the audit, we pick up the unbilled days and drop off the previous year's unbilled days so it works out. We will have to be alerted to any issues like this in the future and keep a watch now to see what is going on. Our operating expenses were \$886,193 which is normal. We had a loss for the month of \$221,781 which is a little high and is due to the decrease in billing revenues with a negative operating income for the month of \$173,748. Of the loss, \$271,779 is depreciation which is a non cash expense. Our cash decreased this month by \$271,416. Last month we had a \$250,000 increase and they have balanced each other out but he will keep a close eye on this for the Board and will alert the Board if he sees something going the wrong way. We are still transferring the funds to the sinking fund for debt service and into the reserve accounts. R & M expenses for the month of March were \$70,031, there may be some discrepancies in that and some items that were outside the R & M scope that were included and he will check that.

Mr. Spears stated that through a discussion with Bob Meyer, they have been trying to set a dollar amount for a hand tool limit. We have agreed on \$250 as a limit and the Board accepts that amount he needs a motion to approve that as well as to approve the financials.

He also stated that Mr. Potters and Carrie Hatfield have identified some monies that are out there from old construction projects. There is one item of about \$100,000 on Forest Hills that he wants to go back and see why that money is still setting there. Some are smaller amounts and we know why they are still there. Mr. Potter stated that one of them is the project that Summit Engineering just wrapped up, and because the contractor performed the work under the estimate, we have about \$400,000+ left on that project. The Board had discussed doing some upgrades and revisiting the Douglas WWTP because we are nearing capacity and that money would enable the Board to engage the CDBG money with matching funds, he or Mr. Spears could prepare a letter to try to get those funds, they will do so. Chairperson James inquired if the funding was in the same area as the Douglas WWTP because she wanted to make sure that the funds stay in the same area they were requested for. Mr. Potter confirmed that they were, except for the Forest Hills money. To finish Forest Hills would take about \$400,000 to \$600,000 but you could do a partial and use the \$100,000 to take it as far as you can get, but if the Board wants, they can flesh those out and see what else can be done with whatever leftover funds we come up with. Chairperson James requested that they come up with a report and bring it to the May Board meeting with proposals on options of what can be done with the funding. Mr. Potter inquired when the application period is for the CDBG funds. Chairperson James stated that it opens up in May. Mr. Potter inquired if we wait until the next meeting before the Board agrees to apply for the funds, would it put us behind on that list. Chairperson James stated that we could go ahead and apply. Mr. Potter stated that if they find the matching monies, would the Board like us to go ahead with the application? Chairperson James stated that it would not hurt anything to do that. Mr. Potter stated that way we can be ahead of other requests. Commissioner Casey stated that this needs to be included in the motion on the financials. Chairperson James stated that we need to get the Fiscal Court to give us a resolution to apply. Mr. Potter stated that we need to go ahead and proceed with that request for the next court meeting on the Board's behalf to engage the CDBG grant for Pike County for the Douglas upgrade.

Commissioner Casey made a motion to approve the financial report as submitted by Mike Spears, approval of the \$250 limit for hand tools amendment for the UMG contract and approval to authorize Mr. Potter and Mr. Spears to research the funds and see what is the most feasible way to use those funds, particularly at the Douglas facility and to approach the Pike County Fiscal Court requesting the resolution to allow the Board to apply for the CDBG funding. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution 11-04-007

PAYMENT OF BILLS **AGENDA ITEM V**

Ms. Olson distributed copies of the AP report and the Cash in Bank report to the Commissioners. After review and inquiry if there were any questions from Board members, Chairperson James requested a motion to approve the payment of all bills as presented. Commissioner Collins made the motion to approve the payment of bills as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-008

CUSTOMER ADJUSTMENTS **AGENDA ITEM VI**

After review and discussion of the adjustments, Chairperson James requested a motion to approve Customer Adjustments in the amount of eight thousand, five hundred, and ninety-nine dollars and twenty-four cents (\$8,599.24) as presented. Commissioner Collins made the motion to approve the adjustments as presented. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-009

CONSTRUCTION REPORT **AGENDA ITEM VII**

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

1. Shelby Valley Sewer Project, Phase III, Section 2:

In the absence of Jody Hunt with Summit Engineering, Mr. Potter gave the updates on these projects. He stated that this project is pretty much closing out. DOW and EPA came down and did their walk out and they were okay with it, then we had one man who called and said he didn't get his grinder unit. After further investigation, it was found that he had run the contractors off and said he didn't want it during the project's construction, and when the inspector came and asked him about it he told him also he didn't want it. Now he has decided he does want it. So Mr. Hunt contacted him and the contractors said they will send someone back up there and do it, but that will push the closing off for another meeting. Mr. Spears stated that the Board needs to authorize

to approve to pay this additional draw for the setting of this last unit. Chairperson James requested a motion to approve the draw for this final grinder unit to be set not to exceed \$5,000.00 subject to Mr. Spears being able to complete the interviews he needs to complete the project. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 11-04-010

2. Belfry/Pond Creek Sewer Project:

Mr. Potter stated that there has not been any change on this project due to the lack of funding, although the funding has been requested. Since we have gotten so many good prices bid in the last year on sewer line extension through some other contractors and Mr. Stratton had been dealing with the coal company and the mining situation. He has discussed it with Chairperson James and they think it is a good time to revisit it and get with the engineer and give them some scenarios again back on the projections and see if we can move with it. This project had \$2.8 M and there were problems with the property acquisition, the line came in over bid and there was funding to construction either the plant or the line, but you don't need to build a plant if you can't send sewer to it and you don't need to install sewer lines if you don't have a plant to put it to. We applied for an additional \$1 M to do a sewer flow reversal and pick up some additional customers and it didn't come through and we were waiting to see if any of the money coming back in would be available to reallocate after the fall session and that didn't work either. But maybe it is time to revisit and see if we can get some better prices. Chairperson James stated that at least we could get some up-to-date numbers and go back in and see if we can some funding somewhere.

3. Hurricane Branch AML Water Supply Project (Ridgeline Rd):

Mr. Potter stated that the power drop is done, tank is up and the walk out with AML has been scheduled and after that on May 5th and the final pay request, this project will be released to the District and we can start providing water to these residents. He has spoken to Philip Bowling with AML who indicated that they may revisit Damron Ratliff Road for a water line extension and Mr. Potter stated that if the Board wishes him to, he can ask again for them to revisit the Bad Fork area. The Board agreed for him to do so.

4. Ridgeline Road Water Supply Project (Jonican & Upper Pompey):

Mr. Potter stated that the design has been done and notification given of the status of the project and the first draw has been done for design submittal. It is in the hands of the Division of Water at this time being reviewed. This was so we would have the design ready so if any funding comes up we can say that we have a shovel ready project and are ready to go with that.

5. DOT Project – Pond at Draffin:

Mr. Potter stated that this project is still in process but the contractor has not really been able to do anything on the river crossings because of the river levels and Mr. Potter is still going to work on the easements in the area for the cost of a water meter.

6. DOT Project - Buckfield:

Mr. Potter stated that he and the engineer have met with them in the field and this project is moving along.

7. DOT Project – Smith Fork Bridge:

Mr. Potter stated that he and the engineer have met with them in the field and this project is progressing.

The DOT has stated that they are going to do 2 or 3 more projects. They are going to redo the bridge at the mouth of Cabin Knoll, which may affect the main pumping station at Cabin Knoll pump station which pumps about 1,000 gallons per minute. There are two (2) others as well.

COAL SEVERANCE PROJECTS REPORT

Update by Tim Campoy, Environmental Design Consultants:

In the absence of Mr. Campoy, Mr. Potter gave the update on this as well.

1. WTP Expansion/Upgrades:

Mr. Potter stated that the guys have the wiring done at the plant and we are waiting to put the VFD in. We are having issues with the power company again on the drops up there. There have been delays due to the flooding last year, and power drops. It is still moving forward.

Update by Doug Griffin, Kenvirons, Inc. and Greg Dotson, Inspector

1. Smith Fork of Phelps Sewer Project, Phase II:

Mr. Griffin stated that the contractors have rerouted a portion of the sewer line and next week there will be a flow test run to see if that affected the blockage and if it is, they will move on down toward the plant. Commissioner Casey inquired if they have found the problem in the line. Mr. Griffin stated that they hope they found it and corrected a portion of it when they re-routed this line, but they have to complete the flow test to be sure. Mr. Potter stated that there will be some funding left over in this project and at the next Operations Committee meeting, he would like to discuss with them some scenarios on what to do with those funds in that zone.

2. KY DOT Route 199 Water Line Relocation Project

Mr. Griffin stated that this project is complete and in operation. His office is working on the as-built drawings for the District. Mr. Potter stated that this is at the intersection of Route 199 and Route 1056 in the Stone area. They also relocated the pump station. The Board had salvage rights on the old pump station so the electricians are pulling anything that the District can utilize, including the pump.

3. KY DOT Airport Water Line Relocation Project

Mr. Griffin stated that this project is complete. The inspector and contractor was sent out there for a complaint where the concrete truck rutted out the road down by the existing pump station and the rain came in and washed it out. The contractor is going to correct the issue.

DRAWS:

Chairperson James requested a motion to approve the draws as submitted. Commissioner Collins made the motion. Commissioner Casey seconded the motion.

SHELBY VALLEY SEWER PROJECT, PHASE III, SECTION 2

Contract 1	Stimulus Funds	\$ 5,000.00 est.
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SMITH FORK SEWER PROJECT, PHASE II

Contract 1	Coal Severance Funds	\$ 1,990.00
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TELEMETRY

Contract 1	Coal Severance	\$ 4,744.00
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Contract 1	Coal Severance	\$ 1,000.00
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LMI PROJECT

Contract 1	Coal Severance	\$ 1,000.00
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Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 11-04-011

MANAGER’S REPORT

AGENDA ITEM VIII

Mr. Potter stated that we received a letter of warning on the Stone Heights sewer plant and we have responded to it. They wanted to make sure we were doing flow tests and sampling in accordance with regulations and the boys out there didn’t have a sample meter but we responded with a letter. It is not a violation and it has been taken care of and we have purchased another flow meter for the employee and showed him how to use it, however he no longer works for us. Anyway, this issue has been taken care of.

1. Monthly Operating Report:

LMI Project Update: Mr. Potter stated that we may be able to do a couple more of these taps and he wants to get it wrapped up and have the letter ready when we are able to get down to where we can finalize the list of those who will not get a tap who have applied for one.

Majestic Alternative Sewer Project: Mr. Potter stated that he has been working with the health department on this project. We also met with Magistrate Dotson. The health department wants to do some meetings with the residents and see about participation and we are checking out the ideas on how to proceed with the health department where this is their prevue as they are all on-site discharge units.

Utility Crane Truck: Mr. Potter stated that he called and the two (2) he was looking at have been sold. He would like to get the Board’s authorization to go ahead and advertise for this truck if he finds one that meets the Board’s parameters that have been discussed in previous meetings. There is a lag time before the Board meeting if he finds one before he can advertise and if he finds one, he would like to be able to advertise and get bids in for it. Chairperson James made the motion to authorize Grondall Potter to continue to search for the vehicle within the parameters of the Board and if one is found, to advertise for bid in accordance with procurement procedures. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 11-04-012

Surplus Property – Marrowbone WTP: Mr. Potter stated that this is in Mr. Stratton’s hands and inquired from Mr. Hogg, attending in Mr. Stratton’s place, what the status of this issue is. Mr. Hogg stated that the cost of the survey was \$3800 and his recommendation was to not have it surveyed based on that cost and go ahead and advertise it for bid “as is”. They will take care of preparing the advertisement. Chairperson James requested a motion to authorize to advertise for sale “as is” the property at the old Marrowbone Water Treatment Plant without a survey. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Commissioner Ancie Casey	Aye
Commissioner Prentis Adkins	Absent

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-013

Phelps-Freeburn WWTP: Mr. Potter stated that they discussed this in the Operations Committee meeting and Commissioner Collins is aware of what we want to do and the RFQ-Ps were sent to Stratton, Hogg and Maddox. There was only one (1) respondent from the advertisement. Mr. Hogg stated that the only response received was from Summit Engineering. Chairperson James stated that the Board needs time to review the submittal and see where the funds are coming from. Mr. Potter stated that Summit Engineering is proposing to do the study for free if the Board will authorize them to administer the work when the Board has the funding to do the project. Chairperson James stated that the Board will review this proposal and visit this issue again at the next regular meeting. Mr. Potter stated that he anticipates receiving violations on this plant until this issue is resolved due to the disinfection problems. The Board acknowledged his statement and made plans to review and discuss this issue further at the May meeting.

Mr. Potter stated that we issued a few boil water advisories this month including Brushy Creek when the road slid off and broke our line. We installed a temporary line to keep water on until the highway department fixes the road back. He is waiting on the highway department to give him a scenario of what they are going to do to fix the road so he will know how to put the line back in conjunction with their road repairs.

Bids for Two (2) Utility Trucks: Mr. Potter stated that we did put the bid out for the utility trucks and the Board requested to review them. Mrs. Olson distributed a copy of the bid tabulation sheet. Mr. Potter stated that the low bid was Bruce Walters Chevy on 2011 Chevy 2500 HD 4WDs. The low bid had an upgraded utility rack for \$30,018.20. The trucks meet the specifications put out there and are applicable to what we need. Chairperson James requested a motion to award the bid for the two (2) utility trucks to the low bidder, Bruce Walters Chevrolet, in the amount of \$30,018.20 for each truck. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-014

Chairperson James requested a motion to approve the Manager's Report as submitted. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-015

NEW BUSINESS

1. Johns Creek Daycare/PCFC Sewer Contract –

Mr. Hogg stated that a letter was sent to the Judge on the 31st and as far as he is aware we have not received a response to the letter. Mr. Potter stated that this is another one he anticipates issues with.

2. MWD/City of Elkhorn City Water Contract –

Mr. Potter stated that Dan Stratton had sent them the contract and it came back signed and it is ready for signatures. He assumes that Mr. Stratton reviewed it before he sent it Elkhorn City. It has the correct increased amounts of \$.20 on both tiers of the rate which is \$2.45 per 1,000 gallons up to 215,000 gallons per day and anything over that will be \$2.60 per 1,000 gallons. Then only changed portion of the contract was the deposit part has been marked out because they have paid the deposit and do not need to redo that part of the contract. He stated that the only issue he can see is that Elkhorn City got a new mayor last week, or the old mayor back, or however it worked and this contract was signed by Johnny Potter. Mr. Hogg stated that at the time he approved it he was the interim Mayor and had authority to execute that contract. It should be okay and he is still interim Mayor until the new one is sworn in. Chairperson James requested a motion to approve the contract with the City of Elkhorn City as presented. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-016

3. System Maintenance – Advertisement for RFQ-P –

Mr. Potter stated the Board had previously discussed about moving forward with the tank maintenance and to get an advertisement ready and submit that. He will go ahead and get that submitted in the newspaper with the Board's approval. Chairperson James requested a motion to approve the advertisement of the Request for Qualifications and Proposals for Maintenance Services for the District's tanks. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-017

4. Amendment to MWD/UMG Contract – Hand Tools -

Mr. Hogg stated that this has not been finalized but would be presented when complete.

5. Legal Issues

Executive Session to Discuss Outstanding Litigation and Potential Litigation -

Chairperson James requested a motion to go into executive session to discuss outstanding and potential litigation as listed on the agenda and specific personnel matters with regard to the employment contract for the Administrator position. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-018

Chairperson James requested a motion to reconvene from executive session where outstanding and potential litigation was discussed as listed on the agenda as well as specific personnel matters for the employment contract for the Administrator position. Commissioner Casey made the motion. Commissioner Collins seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.
Resolution No. 11-04-019

Chairperson James stated that the Board has made a decision as to the person they wish to hire for the Administrator position. She requested a motion to hire and offer the Administrator position to Roy Sawyers and to approve the employment contract as presented by Stratton, Hogg and Maddox to and to authorize Dan Stratton to send letters to the unsuccessful candidates for the position. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 11-04-020

COMMISSIONER COMMENTS

Chairperson James inquired if there were any Commissioner comments. There were none.

ADJOURN MEETING

Chairperson James stated that if there were no further comments, she requested a motion be made to adjourn the meeting. Commissioner Collins made the motion. Commissioner Casey seconded the motion. Commissioner voting as follows:

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

Upon Commissioner voting, the motion was carried and passed.

Resolution No. 11-04-021