

ICR WATER USERS ASSOCIATION
Board of Directors Meeting, Talking Rock Ranch House
May 29, 2009 Meeting Minutes

Approved 6/23/09

Those Present:

Board Members

Hugh Pryor, President
Hal Lobaugh, Vice President
Bill Meyer, Treasurer
Jimmy Stoner, Secretary
Shirley Lilien, Director

Contract Staff

Bob Busch, Manager
Chris Williamson – Water System Operator

Member Guests

Dayne Taylor
Shirley Leasure
Larry Bligh

Eileen McGowan
Gene Leasure
Tina Bligh

Chris Stoner
Leo Sullivan

1. **Call to Order** - The meeting of the ICRWUA was called to order at 9:00 A.M. by Hugh Pryor.
2. **Insert New Item, Snell & Wilmer Settlement Agreement.**

Hugh discussed approving the settlement agreement with Snell & Wilmer, so that it can be signed.

Motion: Bill moved to approve the settlement agreement; Shirley seconded; Jimmy opposed; motion carried.

3. **Review Minutes of the May 5, 2009 Board Meeting.**

Hal discussed that he didn't approve what Jimmy Stoner read into the Minutes of the Open Meeting. Two things he disapproved of: The Board being out of compliance, and he didn't feel the Board was out of compliance; second: Dayne and Skip bringing up about excessive water use by TRR two years ago, he wants TRR to be able to explain their position on that and the dates and times that was for. He wanted a committee review it and maybe more things should be added, that were left out. Shirley commented that these are minutes of our meetings, not summaries of other meetings, and any references from other meetings do not belong in our business meeting minutes. Bill disagreed, and stated that the comments were in direct reference to a topic that the Board was discussing. Hugh suggested that accepting the Minutes be tabled until it can be discussed further. The vote was 2-2, with one abstention. Bill further commented that the comments should be included in the Minutes, per Robert's Rules of Order.

Motion: Shirley moved to waive reading of the minutes, Jimmy seconded; motion carried.

Motion: Jimmy moved to accept the minutes as written; Bill seconded; Shirley and Hal didn't approve; tabled.

3. Reports

a. MDIFS Report

Bob provided MDI's report since they are not working on Fridays.

- There were six delinquency notices sent last month, five of them paid., one remains unpaid.

- There were six termination notices sent out. Three have been paid in full; one has been partially paid; the other two were disconnected.
- Dee is continuing to investigate the handheld question. Through Jimmy's contact with possible sources, she did determine that there is one that might be available for \$895, plus shipping, from the U.K. She is also checking with the company on repairs.
- Tiered pricing – The software vendor has programmed all the new rates into the software. Once the meters are read, testing can be done to make sure everything is working properly.

Hugh inquired if we were in a position now to do something with a handheld. Jimmy reported that Chris Stoner found a U.S. source for handhelds, so they are still inquiring into this. Jimmy wanted to hold off buying a handheld until further investigation is done.

Action Item: Jimmy to continue investigating the purchase of a handheld.

Action Item: Bob to follow up with MDI on the other sources of handhelds.

b. Operator's Report

Chris reported that he talked to Bob and recommended that they physically inspect every valve for any problems. This would take one aQuality employee 10 hours to complete, or approximately \$550. Bob agreed that Chris should check all the valves in Phase 10 to make sure there are no leaks or other problems. There was also some discussion regarding valve inspection on an annual basis. Chris was asked to come back to the Board with a recommendation for a routine valve inspection, including the approximate cost.

Motion: Bill moved to have Chris inspect all valves in Phase 10 to make sure they're operating correctly; Jimmy seconded; motion carried.

Motion: Bill moved that Chris come up with a long term plan for valve inspection; Jimmy seconded; motion carried.

Action Item: Chris to schedule an inspection of all valves in Phase 10 to make sure they're operating correctly and that they're easily accessible.

Action Item: Chris to get back to the Board with a recommendation, including price, of a routine valve inspection.

Chris also advised that the flow meter is back and installed and is reading a few more gallons per minute than the old flow meter which would account for some of the losses.

Regarding the leak, Chris advised that there is maladjustment in one of the well start up control valves on the ICR side of the street. These valves are designed to bleed off excess pressure. It does that by dumping water for about 45 seconds. He found that it was still running after an hour, so that would account for a lot of the missing water. Chris is checking into this and will report back when he finds something.

Action Item: Chris to check into the maladjustment on one of the well control valves and report back to the Board if and when he finds something.

The flow meter for the main boost station at TRR side has arrived and will be installed soon. The absolute off /on floats in the TRR boost station are installed.

Some rewiring of control circuits needs to be done, hopefully next week.

Chris also discussed that there is no surge suppression at Phase 10 boost station. The cost for surge suppression installation is approximately \$3,500. He will get prices on that and advise the Board.

Action Item: Chris to get prices on surge suppression at the Phase 10 boost station and relay them to the Board.

Shirley commented on the fact that she thinks Chris should have a tight reign on visitors going into the well site. The Board and Chris agreed with this.

c. Financial Reports (April)

Bill advised that Bob and he are trying to resolve one issue, and he recommended that the April financial statement discussion be tabled.

Motion: Bill moved that the April financial statement discussion be tabled until an issue can be resolved with MDI; Jimmy seconded; motion carried.

d. Manager's Report

Bob discussed the water audit for April.

- Water audit for April – Over 13,500,000 gal. were pumped for April. The total unaccounted for water for the period from May 2008 through April 2009 is: ICR 1,984,612 gallons or 7.05%; TRR 951,345 gallon or .85%.
- There are now 72 customers signed up for autopay.
- Bills of Sale – There is nothing new to report. They have all the information that is needed regarding backup of assets.
- APS Billing – Bob was able to compare the April billing on one of the TRR locations vs. last year. It looks like it will be approximately 12% less than the rate the locations were on a year ago, due to the lower rate that ICRWUA is entitled to.
- Notice to Customers – The notice to customers regarding the change in tariff rates was sent on May 20, 2009.
- Rate Case/WSA Tracking – Bob prepared a document for tracking the rate case compliance and WSA provisions and forwarded it to the Board for comment.
- Asset Reclassification – Bob updated the asset summary showing all assets, including well #1, which will be transferred in the next few weeks, and forwarded to Asset Committee members for consideration. The update includes the addition of approximately \$85,000 for the emergency generator that he discovered was not listed in TRR's initial detail for the Molly Way Pump Station. This amount should have been on ICRWUA books at the end of 2008. An amended tax return should be filed.
- Backflow testing – Bob is still following up on one customer that has not been done yet.
- Bob did some follow up re lien rights – he found that cities are granted lien rights under Title 9, counties have it under Title 11, special districts have that right under Title 48, but private water companies have no lien rights. This has been confirmed by the Water Company's attorneys and the Corporation Commission. The only recourse the Water Company has is to disconnect the customer, and there are ACC rules for disconnecting customers that must be followed. Bob to e-mail the Board and Gloria with the information, to be included in the Minutes.

- Bob advised that he got the bill from the contractor who did the repairs on the main boost station at TRR, which was \$4,960. He asked the Board's approval to pay the bill. Bob advised that it appears that the cause of that was a defect in the installation; the gaskets were most likely improperly installed. Hugh suggested going back to Harvard with the evidence of the improper installation, and attempt to get some reimbursement from them.

Motion: Bill moved that MDI pay the \$4,960 bill from the contractor who did the repairs at the main boost station of TRR; Jimmy seconded; motion carried.

- Bob discussed the need to reorder return envelopes that are included with their customer bills. Bob advised that it will cost \$300 for 6,000 envelopes, and should last about one and one-half years. Shirley wanted to know how many people pay by check before they authorize reordering of the envelopes. Bob will check to see how many people actually pay by check.

Action Item: MDI to check and see how many people pay by check, and report back to Board.

Hal inquired about the standby water issue. Hugh advised that he was not ready to discuss this as more research needs to be done.

e. Special Board Meetings of 5/5/09 and 5/12/09

Hugh discussed the special Board meetings of 5/5/09 and 5/12/09:

The purpose of the May 5, 2009 special meeting was to confirm the Board's position on negotiating with Snell & Wilmer before he and Bill met with them on May 8, to enter into a discussion with the attorneys about their bill. They subsequently met on 5/12 with a proposal, which was basically arrived at through a suggestion by Bill. They discussed a settlement whereby the Water Company would pay them 75% of their total billing since beginning of the rate case. Initially, Snell & Wilmer thought they could agree to that proposal. Subsequently, Snell & Wilmer advised that they could not agree to this proposal and wanted an additional \$16,000. They finally agreed to 75% of their total bill, plus an additional \$8,000. Settlement in that the \$50,000 that Harvard will pay the Water Company will go to Snell & Wilmer, and the Company will pay an additional \$31,442.53 in 2009 and 2010. Snell & Wilmer agreed to write off \$69,987.15. Snell & Wilmer agreed to file all Compliance filings with no further billings;

Hugh also discussed the Water Service Agreement implementation. The Water Company mailed a letter to Harvard, agreeing to accept the Order by the ACC, and they have in turn sent an acceptance of that. The effective date for Water Services Agreement is June 1, 2009.

Hugh also discussed rate case implementation. Bob indicated that the Company has provided notice to customers. There is a committee formed, called the "Committee of the Whole" to determine how to do Best Management Practices, transfers of the well field properties, transfer the balance of the infrastructure that has not yet been accepted, and make compliance filings.

Hugh stated that at the special meeting, they also discussed categorizing the equipment at TRR as aid in advance of construction or contributions.

Hugh advised that they talked about committee assignments and operation.. Bill and Jimmy were asked to prepare a proposed change to tasks implementation.

One of the committees had developed a new policy for acceptance of infrastructure. The committee had recommended that the Board adopt it and put it in the policy book. The Board did adopt it and put it in

the policy book. It is in the scope of the policy committee's charter to review that and make changes if appropriate.

He advised that they also talked about Williamson Valley Fire Station and their use of water. This needs to be investigated further by Jimmy's committee.

f. Committee Reports

- Asset Transfers

Hugh advised that the Company has everything for the Molly Way Pump Station and that infrastructure, but still does not have the Well 1 papers for the Whispering Canyon side.

- Snell & Wilmer Negotiations

See above. Today, the Company paid Snell & Wilmer \$50,000, and Harvard is sending the Company \$50,000 today in accordance with the Water Services Agreement.

- Operating Procedures

Bill advised that the Board would like an official well field operating protocol. He has provided a draft to the Board. That protocol would, for the TRR well field, spread the pumpage from the three wells that they own equally throughout the year. The Water Services Agreement requires that if air production from Well 1 or 2 exceeds a certain level, then Harvard will be required to correct that. So, there is a procedure for measuring air and he recommended that the measure of air occur about June, July, August, and September. If we get values that exceed that limit, then we go back to Harvard for remediation. The pump at well 2 is too big and will be replaced with a smaller pump soon. The warranty period for air production is initiated when the second pump was installed. .

- Board Policies

Jimmy had a meeting on 5/19 to get members together on how to proceed. They discussed that they should do their homework on ACC requirements and the Statutes. They will get back together next week on what they learned and how to proceed on policies that conform to the statutes and to the ACC requirements. They will come up with a draft plan on how they want to proceed and will give it to the Board for approval. They will use the policy book, as it exists today, as a reference book. They need to add a chapter that deals with Board Policies. The committee members are Jimmy Stoner, Lani Beach, Scott Robbins, Rick Von Henkle, Dayne Taylor, Leo Sullivan, and Jerome Reid.

- Infrastructure Acceptance Policy

See comment above in Hugh Pryor's report.

- Acceptance of Booster Station @ Phase 10

Bill stated that a question came up about whether he sent a letter of approval. The issue for approval is basically the chlorine concerns. There are concerns that the method of injecting chlorine is unreliable. Jimmy stated that Chris met with them at the facility and they discussed the chlorine system. Chris is going to try and schedule the changes to the chlorine system so that it would be reliable, which should be done within the next few weeks. Hugh wanted Chris to speak to Clint to

make sure that whatever he does, it doesn't void the warranty. The Board needs to meet again to discuss this. Chris can do this easily for about \$500 as soon as he gets approval. Bill doesn't feel the Company should be in a position to deliver water at this point until it is corrected. He believes that if they don't fix the problem, we don't deliver water. Hugh thinks a meeting needs to be scheduled with Clint (or someone else in Clint's absence) to resolve this issue.

- WSA Implementation, ACC Order Compliance

Hugh advised that they have put together a matrix and have made some progress. The first filing required by the order is rates, and that is being filed today with the ACC by the attorney. The Board will be following up to make sure they are complying with the WSA implementation and the ACC Order. Bob added that all of the compliance for the rate case needs to be done by 9/5/09.

Implementation of the 10 Best Management Practices is his biggest concern. He believes there is still quite a bit of work that needs to be done before that date.

4. Old Business

a. Review Action Items

Handhelds – Dee is working on this.

Dee to e-mail Jimmy the model number of handheld – Completed

Dee to check with the repair company for useable handhelds – Completed

Read meters on 6/1 – Been set up

Mail out notices to homeowners of new rates – Completed

Send out MDI hours to homeowners – Will complete with next billing

Bob to look into usage for last 12 months - Completed

Acceptance of easements that remain open – In coordination with Sanitation District

Put version numbers on the budget and post it on website – Completed

E-mail annual ACC report to Board members and post it on web – E-mail has been done; post it on web was set up last night and should be on website today.

Send letter of termination to collection agency – Bob has letter ready for Hugh's signature.

Review issue of liens – Completed and reported above.

b. Reid requested Agenda items for April Meeting - Tabled

5. New Business

a. Separate Financial accounting/System (2008 & 2009)

Jimmy discussed the separation of accounting of the two separate water systems. Bob advised that all of the major costs are allocated by system. Bill stated that he believes it needs to be broken down into separate systems because it will be easier to understand what each system is costing us to run and that allows us to decide if something needs to be done for that system to improve. Hugh wants to know how the allocation of Chris' time is accounted for. Bob said he could do some research and determine from MDI what a full financial report on both sides would do, and then report back to the Board.

Action Item: Bob will prepare a full financial report on both side and give it to the Board for the next Board meeting.

The discussion moved to future Board representation by TRR, ICR, and WC, and that it is important to have equal representation.

b. Emergency Power & Surge Protection Requirements

Jimmy advised that he learned that there have been some power surges that affected the Sanitation District equipment. This topic was discussed by Chris above. Chris will check on prices of surge protection. Shirley added that she thought that this surge protection should have been installed when the plant was built, and thought Hugh should talk about this with Harvard, along with the chlorine problem.

Action Item: Chris will check into prices of surge protection.

c. Website cost

Bob advised that the \$150 month website cost includes posting the website, and hourly charges for changes to the website, at \$50 per hour. Jimmy asked Bob to send the Board the details of the website costs.

Action Item: Bob will e-mail the Board with a summary of the website costs.

Additional Item: Hugh advised that Jimmy organized the agenda to put things at the bottom that we're not going to talk about, and it's his intent to take anything that's been completed off of the agenda.

Adjourn

Shirley moved to adjourn; Hal seconded; motion carried.

Adjourn at 10:45 a.m.