

ARKANSAS BUSINESS

www.arkansasbusiness.com

Vol.24, No. 28 - July 16-22, 2007 - 1 dollar

ARCHITECTS/ENGINEERS

Small-town Firm Does Big-time Dam Business

By Nate Hinkel
nhinkel@abpg.com

Nationally renowned expertise in wiring complex multimillion-dollar hydroelectric lock-and-dam projects across the country can be found at a family business operating in Conway County.

Koontz Electric Inc. has evolved from a modest storefront in downtown Morrilton in the late 1950s into one of the country's most technically skilled and respected electrical firms. Though the scope of the company's electrical work is vast, it has found a niche with federal lock-and-dam and hydroelectric facility work, where it easily controls the market share.

"We don't lose many of those projects to anyone else," said Dean Hoover, vice president and COO of Koontz Electric. "We've been fortunate enough to initially land those projects, build quality relationships and complete projects successfully to make our presence well known in that arena."

The company reported \$25.2 million in revenue in 2006, a number Hoover says has steadily grown every year since the company began chasing federal projects in the early 1990s, save for 2002 when the construction industry slumped as did most industries. He says the company's revenue has grown more than 1,000 percent since recording about \$2 million in revenue in the early 1990s.

Koontz Electric currently has 19 ongoing projects in eight states, including its biggest so far: a \$7 million hydroelectric rehabilitation job at the John H. Kerr Powerhouse in Boydton, Va., set for completion in 2010.

Koontz is expecting to soon land a project at the Hoover Dam near Las Vegas that will top the Virginia job as Koontz Electric's biggest, though it's not yet official.

FOSTERING GROWTH

Benny Koontz, now president and CEO of the company, grew up around the business his father started with 500 borrowed dollars when the family moved to Morrilton in 1958.

Benny left for the University of Arkansas and returned in 1972 with an electrical engineering degree and a job at Arkansas Kraft Corp. Six years later, he joined his father's growing business,

determined to help him kick it up a notch.

"I joined my dad in 1978 and basically turned the direction and focus by applying my background, which was heavy industrial, instrument control and heavy power," Koontz said. "At that time, the company was doing about \$200,000 total sales annually, so he had grown it substantially from 1958 to the 1970s, and we took it to another level."

The next major change came in 1993, when Koontz bought out his father after retirement and saw yet another opportunity to grow.

After accruing a few pump-station projects and the Arthur V. Ormond Lock & Dam No. 9 project for Arkansas Electric Cooperative Corp. along the way, Koontz was able to make a key acquisition. He found Bill Moore, a former chief engineer for the Little Rock District Corps of Engineers, who was retiring but not ready to stop working.

"He came here part time, which is funny because his part time ended up being about 10 years and 60-hour weeks on project development," Koontz said. "He gave us great credibility and more federal projects began flowing in. ... A lot of our success can be attributed to Bill."

Hoover joined the company at nearly the same time Moore did, and Koontz also brought along Mark Day as a business development manager; Day also now serves as chief financial officer, putting Koontz Electric on the verge of making a name for itself nationally.

IT TAKES TWO

There are typically two types of jobs Koontz is tapped to complete on federal lock-and-dam projects -- automation and rehabilitation.

Most federal locks and dams were built in the 1950s and '60s, when

warm bodies were still doing much of the tedious work that can now be done more efficiently and accurately through sophisticated electrical and computer systems.

"The only way that the dam operators know how high the gates are raised is to go out and look at the sun dials -- basically a little clock-looking thing with a needle on it -- and the accuracy of those is not very good," Hoover said. "For example, the Dardanelle Lock & Dam on the Arkansas River has 17 gates, and it takes a while for a guy to go out and read all that, especially in the middle of a storm."

So what Koontz Electric does is install instruments on the gates that give a reading of how wide the gate is open accurate to within one-tenth of a foot. That information is



Koontz Electric Inc. of Morrilton says it is finding yet another niche in LED lighting, which it installed at the Big Dam Bridge pedestrian walkway atop the lock and dam at Cook's Landing spanning the Arkansas River.

tied back into a computer system so the operator can raise and lower gates from the comfort of the control house. The system also calculates the water flow going through the gates.

"At one time, the Corps of Engineers had a pilot program where they were going to automate all the locks and dams up and down the Arkansas River and put an artificial intelligence system on top of it to monitor rainfall to predict river flow," Koontz said. "They could adjust the gates accordingly without any operator input."

Hoover said the Corps has not yet completed that effort, though the company has so far automated nearly one-third of the 14 locks and dams on the Arkansas River.

TIME TO UPGRADE

A rehabilitation project requires ripping out all the existing electrical equipment and wiring and applying new power distribution equipment.

Typically rehabilitation projects are quicker than their automation counterpart. That's because river traffic is typically not halted, which means much of the work is done in the winter when waterways are frozen and traffic is at a minimum.

Total power outages occur during a rehab project, which means there are short windows to meet deadlines.

The largest rehab project Koontz Electric did was on locks 24 and 25 on the Mississippi River north of St. Louis, which the company had to complete in 77 days in the middle of the winter. The pressure is often intense on rehab projects because the contract often contains a liquidated damage clause that results in as much as \$45,000 in penalties for every day Koontz Electric might be late.

"River traffic is completely shut down, so extra days means a lot of money that trickles down the commerce line," said Koontz, who added that the company completed the job despite sub-zero temperatures on most of the days the project was being finished. "We've yet to miss a deadline."

OWN IDENTITY

Koontz Electric is not an electrical engineering firm, nor does it try to be.

Five electrical engineers work at the company, but none is professionally licensed, which is required in most states in order for a business to advertise itself as such.

"None are professionally licensed, and that's intentional, because that's a liability we don't necessarily want or need to mitigate at this point," Hoover said. "We're not trying to be an engineering firm, but we collaborate with plenty both in state and out of state on a lot of design-build projects."

Design-build projects make up about half the projects the company goes after, Hoover said, and Koontz Electric will often still act as the prime contractor on those jobs. Koontz Electric will buy the equipment and materials for construction, and then outsource the engineering based on past relationships and expertise.

Those engineering firms range from large national outfits to some in-state firms like Garver Engineers.

"It's all about relationships, and we're fortunate to have worked ourselves into having an excellent reputation with some of the niches we've found," Koontz said.

VERSATILITY

Federal waterway projects, like the 22 it has completed in 12 states, are not the only kind of work Koontz Electric seeks.

"We chase large heavy-industrial projects like steel mills, chemical plants and things like that," Hoover said. "We keep a crew continuously out here at [Green Bay Packaging] and some other mills from time to time."

Central Arkansas Water has contracted Koontz Electric for more than \$5 million worth of recent projects, including a \$3.7 million job to rebuild, rehab and replace all the electrical switch gear. A critical generation project to ensure that CAW can still pump water during a power outage was also completed.

"They've won several bids with us, and to be honest, I don't think there's anyone better in the state that can do what they do while keeping our facilities operating at the same time," said Jim Ferguson, director of engineering for CAW.

Koontz also completed a big two-year project at the Los Alamos National Laboratory Substation in Los Alamos, N.M., that included building two substations and installing nine miles of transmission line through the desert.

And even though the big Toyota truck plant chose San Antonio over Arkansas, Koontz Electric still landed the job to build a substation to power that plant.

The company also completed all the electrical work on the three phases of Central Arkansas Transit Authority's River Rail trolley project, and sees a future niche in a new wave of aesthetic LED lighting, which it recently completed on the colorfully lit Big Dam Bridge.

According to Koontz, the company is also exploring ways to help wire several gas companies that are exploring the Fayetteville Shale Play in north-central Arkansas, including several of its employees attending gas-specific classes recently installed at the University of Arkansas Community College at Morrilton.

Koontz Makes Sure They're Skilled

One of the keys to Koontz Electric's success is the skilled workers who make up the crews to complete time-sensitive -- and often dangerous -- jobs.

Benny Koontz, president and CEO of the company, said Koontz Electric has a four-year apprenticeship program in which workers attend class 160 hours annually while meeting on-the-job training requirements.

"The key to our business is our people," Koontz said. "The work ethic that comes out of Conway County is amazing, and there are a lot of people that deserve credit."

Koontz Electric employs nearly 125 electricians and administrative staff.

More than half the company's projects are out of state, and Koontz Electric takes its own crews, often 40 strong, rather than hiring local workers.

Following Hurricane Katrina, a contractor in Mississippi called Koontz to bring crews to repair flooded electrical equipment and treatment plants. Crews worked seven days a week for 14 months to rebuild pump stations and waste treatment plants in Jackson County there.

"We have about 12 employees that started out as 18-year-old apprentices, and they've been with us now for more than 20 years," said Dean Hoover, COO and vice president. "The electrical trade is a highly skilled craft, and we have crews that handle themselves as professionals and make what could often be dangerous situations a whole lot more safe."

- Nate Hinkel