

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY OCTOBER 15, 2011
AT THE HOUR OF 9:00 AM

CALL TO ORDER: The meeting was called to order by President Dornbrook at 9:00 am.

MEMBERS PRESENT: Present were President Dornbrook, Directors Majors, Smith, Richert, and Lacey. Also present were Manager Henie, Assistant Manager Sharp, Fire Chief Rick Ansel, Drew Meteer (District Administrative Assistant & Audio/Video Technician), Bruce Gianola (Kirkwood Community Association), Cheryl Stern, Bertrand Perroud, Jeanne Reuter, Allan Sapp, Nina Smith, Margaret Silva, Jan Hill, Geoff & Melene Smith, and Libby & John Culver (Homeowners/Residents).

MEMBERS ABSENT: None

MINUTES APPROVAL: The minutes from the September 4, 2011 District Board Meeting were approved as written with minor corrections.

ORAL COMMUNICATION/
PUBLIC INPUT

Jeanne Reuter thanked the Kirkwood Community for all the donations and help regarding the Alzheimer's Association.

Jeanne Reuter thanked Manager Henie, District staff, and District Board members for their work with the new services provided to the community.

Melene Smith thanked the Board for posting the Board packets on the website prior to the Board meeting.

5A. AGENDA ITEM: Continued Discussion Regarding Overall Project Reviews Associated with the Construction of the In-Valley Electrical Powerhouse and Connection of an Electrical Line to the National Electrical Grid System. Manager Henie stated that both the District's In-Valley Power Project and the Out-Valley Power Project are moving along and are still within acceptable timelines.

Manager Henie stated that the three CAT generators for the In-Valley Power Project arrived in Kirkwood during the first week in October and are in the process of being installed. Manager Henie

stated that the five Volvo generators should arrive later this month along with the medium voltage switchgear.

Manager Henie stated that as a part of the In-Valley Power Project, during the third week in November, the generators will go "hot" and be tested to a load bank without actually being connected to the electrical distribution system. Manager Henie stated that this is to ensure that all systems have been dialed in prior to bringing them on-line.

Manager Henie stated that the powerhouse should go on-line sometime during the first week in December. Manager Henie stated that considering that the Ski Resort will most likely be open prior to the date, three 2 megawatt portable generators have been delivered to Kirkwood and will provide interim power to the community.

Manager Henie stated that the District has now hired six new employees to fill electric and propane field and office positions.

Manager Henie stated that PowerSecure is in the process of creating three main electrical distribution circuits consisting of commercial, residential, and ski lifts. Manager Henie stated that currently, commercial and residential are combined on the same circuit. Manager Henie stated that PowerSecure is also working on electrical back feed issues caused when ski lifts are suddenly slowed down.

Manager Henie stated that the radio read and propane meters have been approved and are currently on back order but should arrive sometime in November. Manager Henie stated that the head-end equipment related to this new meter read system has already been received and installed.

Manager Henie presented the Out-Valley Power Project timeline consisting of critical dates in order to complete the EIR/EIS for submittal with the RUS Financing Application. Manager Henie stated that the dates are subject to change based on PG&E/CalTrans design input.

Assistant Manager Sharp updated the Board and Community on safety hazards related to the electrical and propane distribution systems that have been corrected.

Chief Ansel discussed the Fire Suppression System and safety measures of the new powerhouse.

Manager Henie stated that as of October 13, 2011, all staff leadership of the Out-Valley project has been transferred to Manager Sharp.

5B. AGENDA ITEM:

Review and Possible Approval of Agreements with Power Engineers and RCI to Complete the EIR/EIS for the Electrical Transmission Line Into Kirkwood. Assistant Manager Sharp stated that as a part of the environmental approval process of the Out Valley Project, the District and its' consultants have been working with the Forest Service to complete the Environmental Impact Report/Environmental Impact Study. Assistant Manager Sharp stated that the final approval of the EIR/EIS will need to be obtained prior to the District submitting its' loan application to RUS for potential funding.

Assistant Manager Sharp stated that the District has been working with the District's engineering/design firm (Power Engineers) and the District's environmental firm (Resource Concepts Inc.) to determine costs associated with completing the EIR/EIS.

Assistant Manager Sharp presented a proposal in the amount of \$108,512 from Power Engineers to complete their work in support of the EIR/EIS. Assistant Manager Sharp stated that this includes working with PG&E and CalTrans to finalize overhead line design and preferred alternative selections critical in completing the EIR/EIS.

Assistant Manager Sharp presented a proposal from Resource Concepts Inc. in the amount of \$68,919 to complete their work in order to complete the EIR/EIS. Assistant Manager Sharp stated that this includes completing responses to comments, finalizing the documents needed and making presentations to various agencies.

Assistant Manager Sharp stated that with these proposals accepted, the District will have \$520,585 left in the 2011 Bond Anticipation Fund budgeted for the Out Valley Project.

Assistant Manager Sharp stated that the next step will be to complete the Design and bid documents to allow for a potential 2013 construction schedule.

Assistant Manager Sharp stated that staff recommends the approval of the Power Engineer proposal in the amount of \$108,512 and the Resource Concept Inc. proposal in the amount of \$68,919 to complete the EIR/EIS.

Director Majors presented an update of the Out-Valley project.

Director Majors moved to approve the Power Engineer proposal in the amount of \$108,512 and the Resource Concept Inc. proposal in the amount of \$68,919 to complete the EIR/EIS. Director Smith seconded the motion and it carried by the following voice vote:

AYES:	President Dornbrook, Directors Majors, Richert, Lacey, and Smith
NOES:	None
ABSENT:	None
ABSTAINING:	None
MOTION:	Passed

5C. AGENDA ITEM:

Public Hearing: Consideration of Ordinance 11-05, Adopting Revised Electric and Propane Service Charges. Assistant Manager Sharp stated that in connection with the sale of Mountain Utilities electric and propane systems to the District, a Rate Study needed to be prepared and approved to establish rates to be charged to customers for services provided.

Assistant Manager Sharp stated that on April 9, 2011 the Board approved Ordinance 11-01 adopting electric and propane service charges. Assistant Manager Sharp stated that the electric rate was set at 50.55 cents per kilowatt hour and the propane rate was set at 8.52 cents per cubic foot.

Assistant Manager Sharp stated that a fuel adjustment clause was added in order to adjust the rates charged monthly to reflect the current costs.

Assistant Manager Sharp stated that it has been the District's direction to continue to refine the rates with contributions from the rate consultant, Kennedy/Jenks and the Energy Finance Committee to produce a revised edition of this document.

Assistant Manager Sharp stated that Kennedy/Jenks and the Energy Finance Committee have completed the work needed to complete the revision. Assistant Manager Sharp discussed the areas addressed in the revised Rate Schedule.

Assistant Manager Sharp presented Ordinance 11-05, Adopting the Revised Electric and Propane Gas Service Charges.

Assistant Manager Sharp presented the Methodology for Establishing Revised Electricity and Propane Rates which was produced by Bob Epstein of the Energy Finance Committee.

Assistant Manager Sharp stated that it is staff recommendation that the Board approve Ordinance 11-05, Adopting the Revised Electric and Propane Gas Service Charges.

Bob Epstein presented a background of the rate proposal. A discussion ensued.

At 9:37 AM, President Dornbrook opened the public hearing to the community to review Ordinance 11-05.

Bertrand Perroud stated that Ordinance 11-05 is unfair to those people who provide alternative energy.

Allan Sapp clarified Bertrand Perroud's statement by stating that the District is not getting power for free from alternative energy producers.

Bob Epstein stated that if the District bought back alternative energy from customers at the full rate, there would be no money being distributed into debt service and labor cost. Allan Sapp stated that other utility customers would be subsidizing those with alternative energy. A discussion ensued.

Director Majors stated that the Finance Committee voted 5-0 in favor of approval of Ordinance 11-05.

President Dornbrook closed the Public Hearing at 10:00 AM.

Director Smith moved to approve Ordinance 11-05, adopting revised electric and propane service charges. Director Lacey seconded the motion and it carried by the following voice vote:

AYES:	President Dornbrook, Directors Majors, Richert, Lacey, and Smith
NOES:	None
ABSENT:	None
ABSTAINING:	None
MOTION:	Passed

5D. AGENDA ITEM:

Review and Possible Selection of a Financial Advisor to Assist the District with Ongoing Electric and Propane Funding Requirements. Assistant Manager Sharp stated that the Energy Finance Committee (EFC) has been pursuing options to refinance the 2011 Bond Anticipation Notes and to obtain long term financing for the Out Valley project. Assistant Manager Sharp stated that though RUS financing appears promising, an alternate path should also be explored should RUS financing prove unobtainable. Assistant Manager Sharp stated that along these lines, the EFC has been conducting interviews of potential Financial Advisors to assist the District.

Assistant Manager Sharp presented the proposals from First Southwest and RBC Capital Markets to provide financial advisory service.

Director Majors stated that the Finance Committee recommends the First Southwest proposal for District financial advisory. A discussion ensued.

Director Lacey stated that he has concerns of further District indebtedness at this time.

Director Richert moved to approve the contract with First Southwest with the modification that expenses do not exceed \$10,000. Director Lacey stated that the Financial Committee will oversee the progress of First Southwest and the amount should not exceed \$12,000 or three months. Director Smith seconded the motion with Director Lacey's modifications and it carried by the following voice vote:

AYES:	President Dornbrook, Directors Majors, Richert, Lacey, and Smith
NOES:	None
ABSENT:	None
ABSTAINING:	None
MOTION:	Passed

5E. AGENDA ITEM:

Update Regarding Efforts to Negotiate a Service Level Agreement with Power Secure for the Operations and Maintenance of the New Powerhouse. Assistant Manager Sharp stated that the Engineering Committee has been working on securing a Service

Level Agreement with Power Secure for the operations and maintenance of the new powerhouse.

Assistant Manager Sharp presented the Draft Service Level Agreement from Power Secure. Assistant Manager Sharp stated that it was originally part of the construction agreement but was deferred as the Committee wanted more time to review.

Assistant Manager Sharp stated that the Engineering Committee has asked Power Secure to revise the agreement into a one year term and break out the cost into each component.

Assistant Manager Sharp addressed remaining questions regarding a clear definition of service levels and the consequences for not providing these levels of service.

Assistant Manager Sharp stated that Attorney Shanahan is reviewing the Service Level Agreement and providing comments.

Assistant Manager Sharp stated that it is the intent of the Engineering Committee to continue to work with staff and Power Secure with the goal of presenting a revised Service Level Agreement to the Board at a future Board meeting.

Director Richert stated that there are two sentences in definition "J" of the Service Level Agreement that need translation and clarification. A discussion ensued.

President Dombrook stated that the Board is not ready to make a decision and this item will be deferred until a future District Board meeting.

5F. AGENDA ITEM:

Update and Possible Action Related to Selection of Community Members to Join the Planning Committee. Assistant Manager Sharp stated that at the Board of Directors Meeting held on September 4, 2011, the Board approved a motion made by Director Richert to define the Planning Committee's direction over the next six months.

Assistant Manager Sharp stated that the Planning Committee would add two interested and qualified community members to first, work in an advisory capacity to Michael Sharp to insure that the District's organization and staff are in place with particular emphasis on finance and retail energy services. Assistant Manager Sharp stated that secondly, the community members would review and make recommendations to the Board, on the

District's budget, financial forecast reporting, and capital planning procedures.

Assistant Manager Sharp stated that the District distributed a Community Outreach flyer and existing members of the committee solicited new members from within the community. Assistant Manager Sharp stated that three community members responded with letters of interest which are included in the packet.

Director Richert presented an overview of the Planning Committee meeting that was held on Friday October 14th.

Director Richert described the expertise of each of the three potential committee members; Sid Long, Geoff Smith, and Standish O'Grady.

Director Richert recommended the addition of all three community members to join the Planning Committee.

Director Richert stated that if Standish O'Grady is elected to the Board in November, he would relinquish his position on the committee before asking Standish to do so.

Director Richert moved to approve the addition of Sid Long, Standish O'Grady, and Geoff Smith to join the Planning Committee. Director Smith seconded the motion and it carried by the following voice vote:

AYES:	President Dornbrook, Directors Majors, Richert, Lacey, and Smith
NOES:	None
ABSENT:	None
ABSTAINING:	None
MOTION:	Passed

5G. AGENDA ITEM: Review and Possible Approval of the Proposed 2011/2012 District Financial Plan. Assistant Manager Sharp stated that each year the District's Board of Directors adopts a Financial Plan which contains revenue and expenditure projections for the upcoming fiscal year. Assistant Manager Sharp stated that consistent with the District's budget format, District revenues and expenditures

have been outlined in a proposed operating/capital budget for 2011/12 in line item format.

Assistant Manager Sharp presented and reviewed the proposed KMPUD Fiscal Year 2011/12 Financial Plan for Board's review.

Assistant Manager Sharp stated that the District's budget is complex due to the number of services the District provides, the various revenue streams, and the auto distribution mechanism the District currently uses to distribute overhead costs.

Assistant Manager Sharp stated that for the 2011/12 fiscal year, this complexity has increased dramatically with the addition of two new services, electricity and propane.

Assistant Manager Sharp stated that it is staff's recommendation to approve the proposed 2011/12 fiscal year budget (Resolution 11-10).

Assistant Manager Sharp presented charts and data associated with the District's preliminary 2011/12 fiscal year budget.

A discussion ensued.

President Dornbrook moved to approve Resolution 11-10 adopting the District's proposed 2011/12 financial plan. Director Majors seconded the motion and it carried by the following voice vote:

AYES:	President Dornbrook, Directors Majors, Richert, Lacey, and Smith
NOES:	None
ABSENT:	None
ABSTAINING:	None
MOTION:	Passed

TREASURER'S REPORT: President Dornbrook informed the Board that the October 15, 2011 Consent for Claims totaling \$1,396,917.67 is before them for review and approval.

Director Majors moved that the October 15, 2011 Consent for Claims totaling \$1,396,917.67 be approved and all checks be

signed. Director Smith seconded the motion and it carried by the following voice vote:

AYES:	President Dornbrook, Directors Majors, Richert, Lacey, and Smith
NOES:	None
ABSENT:	None
ABSTAINING:	None
MOTION:	Passed

The Board reviewed the current monthly financial statement.

MANAGER'S REPORT: Manager Henie presented for Board review, the revenue comparison for September 2011 versus September 2010. Manager Henie stated that the figures show an increase of \$1,233 versus the same month last year.

Manager Henie stated "On January 1, 2011, the very first baby boomer turned 65. Millions upon millions of them are rushing towards retirement age. The iconic generation that transformed America is getting ready to retire. Every single day, more than 10,000 baby boomers will reach the age of 65. This is going to keep happening every day for the next 19 years!" as quoted by Joe Liles, President of National Rural Water Association.

Manager Henie presented two articles which talk about the upcoming exodus of experienced Baby Boomers from the public sector, the impacts on public agencies, and what you can do to prepare for and adjust to this new reality.

Manager Henie stated how every year the District staff performs a number of duties in preparation for the upcoming winter season. Manager Henie described the pre-winter projects to be completed.

Manager Henie stated that the current average nitrate level in the final effluent is approximately 14 mg/l (waste discharge permit allows 20 mg/l). Manager Henie stated that the plant is processing approximately 31,000 gallons per day. Manager Henie stated that the current influent temperature is approximately 14 degrees Celsius.

FIRE CHIEF'S REPORT: Chief Ansel discussed the eight emergency calls that took place during the month of September 2011. Chief Ansel stated that four of these calls originated in Alpine County and four calls originated in Amador County.

Chief Ansel stated that the department held five regularly scheduled meetings for the month of September 2011. Chief Ansel stated that during these meetings the volunteers reviewed calls, checked protective equipment, reviewed the use of SCBA's, practiced with extrication tools and practiced patient packaging skills.

Chief Ansel stated there were no billable EMS calls or Fire Recovery calls for the month of September 2011. Chief Ansel stated that Fire Recovery USA and Wittman Enterprises have merged services for future billing.

Chief Ansel stated that the fire department sponsored "The 31st Annual Kirkwood Volunteer Fire Department 5 / 10k and Kids Fun Run" that was held on Saturday September 3rd. Chief Ansel presented a list of the top 10 runners in each event. Chief Ansel stated that the members of the fire department would like to thank the many volunteers from ROP and Tahoe Mt. Milers Running Club who helped make it a fun event. Chief Ansel stated that the Tahoe Mt. Milers Running Club will be sending a donation to the department soon.

**ADMINISTRATIVE
REPORT:**

Manager Henie discussed with the Board the Administrative Report dated October 11, 2011.

GENERAL DISCUSSION: Jan Hill thanked the Board for a respectable meeting and stated that this meeting was the best meeting she had ever attended.

Director Richert thanked District staff for the posting of the Board packet on the District's website prior to the meeting.

Director Smith stated that he had a chance to attend some of the meetings with Howard Barnes and David Rightly regarding the RUS financing. Director Smith stated that Howard Barnes affirmed the District has a good chance of getting the financing with RUS.

ADJOURNMENT: There being no further business to come before the Board, President Dornbrook adjourned the meeting at 11:27 am.



Secretary