

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
JUNE 8, 2013
AT THE HOUR OF 8:00 A.M.

CALL TO ORDER: The meeting was called to order by President Richert at 8:00 a.m.

ANNOUNCEMENTS: District Clerk Sullivan stated that this meeting is being fed live over the internet and that the public can view this meeting by going to our web site, www.kmpud.com and follow the appropriate link and if the public would like to make a comment they may send an email to kmpud@volcano.net. District Clerk Sullivan stated that Director Epstein and Director O'Grady will be participating via teleconference. Due to this, all voting must be done by Roll Call and Board members must identify themselves when speaking.

MEMBERS PRESENT: Present were President Richert, Directors Ende and Dornbrook
Via Teleconference: Directors Epstein and O'Grady
Also present were General Manager Sharp, Rick Ansel (Assistant Manager, Operations), Jill Campbell (Office Manager), Brandi Fichtner (Electric/Propane Manager), Rena Sullivan (District Clerk), Drew Meteer (Assistant Office Supervisor), Sandy McKay (Out Valley Coordinator), Terry Woodrow (Alpine County Supervisor), Cheryl Stern and Gary Gallaher (Community Residents)

MEMBERS ABSENT: None

MINUTES APPROVAL: Director Dornbrook moved to approve the minutes from the March 30, 2013 District Board meeting as submitted. Director Ende seconded the motion and it carried by the following roll call vote:

AYES: Directors O'Grady, Ende, Dornbrook and Epstein

NOES: None

ABSENT: None

ABSTAINING: President Richert

President Richert moved to approve the minutes from the April 13, 2013 District Board meeting with the corrections noted by President Richert. Director Dornbrook seconded the motion and it carried by the following roll call vote:

AYES: President Richert, Directors O'Grady, Ende, Dornbrook and Epstein

NOES: None

ABSENT: None

ABSTAINING: None

Director Ende moved to approve the minutes from the April 21, 2013 District Board meeting with the corrections noted by President Richert. Director Dornbrook seconded the motion and it carried by the following roll call vote:

AYES: President Richert, Directors O'Grady, Ende, Dornbrook and Epstein

NOES: None

ABSENT: None

ABSTAINING: None

ORAL COMMUNICATION
/PUBLIC INPUT:

None

6A. AGENDA ITEM:

Discussion and Possible Action Regarding the Design, Timeline, Bidding Process, Costs and Construction Activities Associated with the Out-Valley Power Line Project. *Manager Sharp*

Manager Sharp stated that we have signed a staging agreement with Vail and Q&D is in the process of mobilizing in the middle of Red Cliff's parking lot. Q&D is planning to begin construction on June 12, 2013 and Kirkwood Meadows Drive should take about two weeks. Manager Sharp presented a detailed report on the conduit route and possible problem areas that Q&D may encounter. A discussion ensued with regards to the problems encountered with the power lines found in the Palisades area and the old Mountain Utility direct bury power lines. Director Dornbrook suggested investigating litigation associated with the Palisades service lines. A discussion ensued. Manager Sharp stated that he would update the Planning and Capital Projects Committees with any new information that is related to this topic.

Manager Sharp stated that two six inch conduits, along with the four inch conduit, will be installed underneath Hwy. 88 for future development Manager Sharp stated that there have also been requests to put a two inch conduit for Volcano in this trench from the North side of Hwy 88 to Fremont, and Vail has requested a three inch conduit from the North side of Hwy 88 to Red Cliffs Employee Housing. Both of these would be at their cost. Manager Sharp presented the trench detail. President Richert stated that we cannot jeopardize our schedule waiting for any decisions by Volcano or Vail.

Manager Sharp stated that the Inspection Teams from RCI and Exponential Engineering have met. The Caltrans permit is

anticipated to arrive on June 21, 2013 and staff is working with Q&D on a host of issues including water delivery, diesel, excess fill and housing. Weekly construction/safety meetings are to be held every Tuesday at 10:00 a.m. which will continue throughout the construction period with staff, RCI and Exponential in attendance.

Manager Sharp thanked Director Epstein for his contact with PG&E. A meeting was held with PG&E who have provided resources needed to move forward on the design review. Manager Sharp reported PG&E seems fully engaged and stated that we are back on schedule with the steel pole order, CPUC, FERC, deed submittals and the proposals for the Overhead contractor. President Richert thanked Director Epstein, Larry Parker (community resident) and PG&E for their efforts.

Manager Sharp presented the schedule of key dates. A discussion ensued.

Manager Sharp stated that a notice of construction went out to all of the people that had comments on the EIR/EIS and it was also posted in the Valley and on our website. District staff has also met with Amador and Alpine County to let them know that the project is beginning.

Manager Sharp presented the overall project costs and the draw down schedule from Q&D which will be updated for the next Finance Committee and Board meeting. A discussion ensued.

6B. AGENDA ITEM:

Discussion and Possible Action Regarding the Purchase of a Vehicle to Transport Personnel to KM Green During the Winter.
Manager Sharp

Manager Sharp stated that the District will need the ability to access KM Green on a monthly basis and access to the entire line as needed. The District is looking at a dual use vehicle that could be used by the Electric and Snow Removal departments. Manager Sharp presented some options that were being considered that also included the possibility of renting snowmobiles for this upcoming season to gain practical experience. A discussion ensued.

6C. AGENDA ITEM:

Discussion and Possible Action Related to Electric Power Purchase Agreements for the Out Valley Power Line Project.
Manager Sharp

Manager Sharp stated that we need to begin purchasing power off of the national grid and we cannot wait until November 2014 to arrange for this as it is a detailed process. Last year we went out to bid for a five year contract to include the cost of power and the cost of renewable energy certificates and supplier services. Shell Energy was the lowest overall contracted price. Manager Sharp stated that the next steps for the District will be to negotiate an

enabling agreement and letter of intent with Shell which will put us in the corridor to enact these with a conditional approval in the late fall of 2014. We will also enter into an enabling agreement with the second and third bidders as back up. Manager Sharp stated that he will be meeting with Dick Shanahan and Dennis DeCuir to move this project forward and also, as an alternate, has had continuing conversations with Jim Pope, NCPA.

6D. AGENDA ITEM:

Update and Possible Action Regarding the Operations of the Powerhouse and Meteorological Station Installation. *Manager Sharp/ Manager Fichtner*

Manager Sharp announced that the Powerhouse had a valve fail on the ammonia system. New parts have been installed as well as spares for inventory. A discussion ensued.

Manager Fichtner related that we had a leak at the ammonia pump at the main tank on May 26th and stated that all necessary reports were filed with Great Basin within 24 hours as required and steps have been taken to correct the problem. A discussion ensued.

Manager Fichtner reported on the commercial core power outage that is planned and presented an update on the Met Tower.

Manager Fichtner stated that an Administrative Assistant/Plant Operator, Nicole Waddell, has been hired and will start on Monday, June 10th.

Manager Fichtner presented an update on the propane outage due to maintenance on Cornice Court.

Manager Fichtner stated that the proposal for the water bath vaporizer that was approved has been submitted to KIVA and installation is scheduled for later this summer.

6E. AGENDA ITEM:

Discussion and Possible Action as to Final Payment to PowerSecure in Relation to the Construction of the Powerhouse. *Manager Sharp*

Manager Sharp stated that the District owes PowerSecure \$278,000 for construction of the Powerhouse. The District has been withholding this payment due to issues discussed previously regarding the emissions system, various punch list items and excessive diesel costs due to the delay of completing the Powerhouse. Manager Sharp stated that the District has received our Permit to Operate and we are ready to make a payment to resolve this issue. PowerSecure has offered to settle with a credit of \$35,000 and to not charge for the first six months of Nex Gear Monitoring which would be a credit of \$11,250. Overall the District payment would be \$242,000 of the \$278,000 owed.

Manager Sharp stated that on January 12, 2013 the Board discussed the concept of splitting the excess fuel costs of \$285,000 between PowerSecure and the District resulting in a \$142,000 credit. The District's position on January 12, 2013 was to waive the additional cost of the emissions and ammonia.

Manager Sharp stated that Staff's recommendation would be to follow the previous recommendation made by the Board on January 12, 2013. PowerSecure would be required to sign the release that was prepared by District Counsel Shanahan. A discussion ensued. It was the consensus of the Board to support Staff's recommendation and was given direction to contact PowerSecure with this proposal.

6F. AGENDA ITEM:

Review and Possible Approval of a Propane Supply Contract for the 2013-2014 Fiscal Year. Manager Sharp

Manager Sharp presented the two Propane Supply bids that we received for the 2013-2015 seasons. Our current provider, Kiva, and Amerigas were those that submitted bids. Manager Sharp stated that it is Staff's recommendation to award the bid to Kiva Energy for our Propane Supply supplier not only because they have provided a cheaper cost proposal but also the valuable support that Kiva has shown to the District on propane issues.

Director O'Grady motioned to approve the Kiva Energy Propane Supply Contract for the 2013-2015 seasons. President Richert seconded the motion and it carried by the following roll call vote:

AYES: President Richert, Directors O'Grady, Ende, Dornbrook and Epstein

NOES: None

ABSENT: None

ABSTAINING: None

6G. AGENDA ITEM:

Presentation of the District's Preliminary 2013-2014 Financial Budget. Manager Sharp/ Office Manager Campbell

Manager Sharp presented the current version of the 2013-2014 Budget and stated that after discussions with Director O'Grady we have reverted back to the format that was approved in August 2012.

Manager Sharp stated that overall this is still a work in progress and the next steps will be to work with the Finance Committee to finalize the budget.

Director Epstein offered to help put together a document that describes our overall methodology. A discussion ensued with questions regarding operating expenses. Manager Sharp spoke

to payroll taxes, employee benefits, salaries and wages based on the needs of the District. Director Ende asked to see the headcount plan as part of the budget review.

7. MANAGER REPORTS:

a. General Manager Report

Manager Sharp stated that at the last Board meeting there was a discussion with regard to the audit and the issues with AKT Auditors. Manager Sharp was directed to approve the increase with three stipulations; that AKT agree to the timeline that has been identified, stay within the cost parameters that have been identified and agree to provide the service at the competitor's rate. Manager Sharp stated that he and Office Manager Campbell met with AKT and received assurances on all three stipulations; therefore, Manager Sharp has approved the contract with AKT. AKT will arrive on site on June 10, 2013 to conduct a pre-audit and will then return on August 5, 2013 to begin the audit which is anticipated to be completed by the end of September.

Manager Sharp stated that the telephone system upgrade has been delayed due to some IT issues and is now scheduled for July 24, 2013. Manager Sharp stated that there will also be a meeting next week with Vail, Volcano and our Q & D consultants with regards to phones and the Out Valley project as there could be disruptions in service. A discussion ensued with regards to who would be responsible for the expense.

Manager Sharp presented an update from District Engineer Matt Wheeler. Manager Sharp reported that:

- We are completing the final stages of the Dangburg Tank removal.
- Annual reports are being prepared.
- We are pursuing our water rights investigation for Caples Lake and reported on the next steps that will be taken.
- The membrane replacement is still on schedule and we are looking at a change order that may be needed to construct a wall.
- We are upgrading Wells 4 & 5 well heads.

Manager Sharp presented an updated Kirkwood Meadows PUD Board meeting schedule stating that the July meeting will be held on Sunday, July 7th and the September meeting will be held on Sunday, September 1st.

Manager Sharp reported on tentative future Agenda topics.

b. Operations Report. Assistant Manager Ansel

Assistant Manager Ansel reported that the Loop Road project is likely to be delayed until later in the summer or until next year. A discussion ensued.

Assistant Manager Ansel presented an update on the Summer Project schedule and stated that District staff is currently preparing for Q&D construction activity that will start this week.

Vail Resort will be helicoptering concrete from their staging area in Red Cliff's parking area up to the top of Chair 10 construction site this week.

Mark Fredericks will be on site to do maintenance on the East Lift Pump.

Assistant Manager Ansel reported on the KVFD Wine Tasting/Barbeque and stated that staff has been working on the event and thanked the KVFD Ad Hoc Committee for all their work on the event.

- c. Administrative Report. Office Manager Campbell
Office Manager Campbell presented RUS Form 7 that will be used to report electric revenue on an annual calendar basis and stated that staff is working with Howard Barnes to produce this annual report, as well as working with PCS to produce reports out of their system.

Office Manager Campbell presented the April Financials, Income Statements and Administrative Report. A discussion ensued.

Office Manager Campbell presented the Consent for Claims in the amount of \$185,059.81.

Director Dornbrook motioned to approve the Consent for Claims in the amount of \$185,059.81. Director O'Grady seconded the motion and it carried by the following roll call vote:

AYES: President Richert, Directors O'Grady, Ende, Dornbrook and Epstein

NOES: None

ABSENT: None
ABSTAINING: None

Director O'Grady questioned the memo that was in the packet from Howard Barnes with regards to the increase in electricity rates that will be required by RUS. Manager

Sharp stated that his intention was to include the electric rate increase with the Water and Wastewater increase on the September Board meeting Agenda. A discussion ensued with regards to moving this up to be an Agenda Item at the July 7, 2013 Board meeting.

8. COMMITTEE REPORTS:

- a. Communications. Bob Epstein
Director Epstein reported that the new website is scheduled to go live on July 1, 2013
- b. Planning. Bob Ende
Director Ende reported on the newest developments with the Mello Roos.
- c. Finance. Standish O'Grady
Director O'Grady stated that the major item has been the Budget. Director Epstein added that they are also working on the particulars of the RUS draw.
- d. Operations. Peter Dornbrook
Director Dornbrook stated that there are no new developments to discuss at this time.
- e. Capital Projects. Peter Dornbrook
Director Dornbrook stated that there are no new developments to discuss at this time.
- f. Personnel. Eric Richert
President Richert stated that the Personnel Committee will meet prior to the next Board meeting to address the General Manager's performance review and goals. President Richert will be sending out an email to the Board and Committee members asking for any feedback on the General Manager's performance for the last year and any comments will be brought to the closed session on July 7th. The Committee will also be reviewing the Cafeteria Plan.

9. GENERAL DISCUSSION:

Director O'Grady questioned the purchase of a new microphone system. President Richert stated that we are waiting for the new phone system in hopes that that will help solve the problem we are having.

Manager Sharp presented the Board with new Kirkwood Meadows Public Utility District polo shirts.

10. OUT VALLEY TOUR: The Board and any interested members of the public were invited to join a tour of the Out Valley Electrical Power Line.

11. ADJOURNMENT: There being no further business to come before the Board, President Richert adjourned the meeting at 10:27 a.m.


Secretary

*A complete audio recording of this meeting is available on the District's website
www.kmpud.com