

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SUNDAY, JULY 7, 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 O'Grady will be absent.

Manager Sharp announced that he has been working with the Board President to make some changes to the Agenda format and Packet. Changes/Additions that have been added:

1. Corrections to the Agenda or Consent Calendar. Items can be pulled, rearranged, or clarified. No action items can be added in this section.

2. Adoption of the Consent Calendar. This is a regular practice for routine items not needing discussion or other action. Board members may ask minor question and may bring forward any items for more in depth discussion and/or action. Consent Calendar items would include minor proposals, minutes, consents, etc.

3. Consent Items Brought Forward for Separate Discussion/Action. This is where items brought forward from the Consent Calendar can be acted upon or the Board President can place these items anywhere in the Agenda as appropriate.

Manager Sharp stated that District staff has made a concentrated effort to share information and write emails to the Board during the month so as to get the information out as soon as available, giving the Board more time to review, and we are now generating the packet on Wednesdays instead of Thursdays.

MEMBERS PRESENT: Present were President Richert, Directors Ende, Epstein and Dornbrook

Via Teleconference: Dave Rightley, (Exponential Engineering)
Also present were General Manager Sharp, Rick Ansel (Assistant Manager), Jill Campbell (Office Manager), Brandi Fichtner (Electric/Propane Manager), Rena Sullivan (District Clerk), Drew Meteer (Assistant Office Manager), Cheryl Stern (District Admin.), Michelle Gamble (RCI), Nate Whaley (KCP), George Mader, Allan Sapp, Caroline Scott, Al Graf, and Paul Blanke (Community Residents)

MEMBERS ABSENT: Director O'Grady

ORAL COMMUNICATION
/PUBLIC INPUT: None

CORRECTIONS TO THE AGENDA
OR CONSENT CALENDAR:

Manager Sharp stated that he would like to pull Agenda Items 8G and 8H from the Agenda.

Director Ende motioned to approve the Agenda with the noted changes. Director Epstein seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors Ende,
Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

ADOPTION OF THE CONSENT CALENDAR:

- Approval of Minutes From the May 24th Board Meeting
- Approval of Current Consent for Claims
- Approval of Proposal to Change out Second Floor of CSB to LED Lighting. Fiscal Impact \$8,000.00
- Review of Current Receivables/ Shut Offs Report

Director Epstein motioned to approve the Adoption of the Consent Calendar. Director Dornbrook seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors Ende,
Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

CONSENT ITEMS BROUGHT FORWARD FOR SEPARATE DISCUSSION/ACTION: None

8A. 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/Michelle Gamble, RCJ

Manager Sharp stated that construction has begun, with the biggest obstacles being unmarked and/or abandoned lines along Kirkwood Meadows Drive. Manager Sharp stated that District staff was positioned at the dig site to streamline any issues that may arise and have also been involved in potholing critical junction areas to unearth utilities prior to the Excavator arriving. Q&D should be done trenching on Monday, July 8th with paving scheduled for July 15th.

Manager Sharp presented the key dates for the Out Valley project and stated that we have gone out to bid for the Timber Harvest and Steel Poles and should go out to bid for the Overhead Construction by July 9th.

Manager Sharp stated that a second amendment has gone out to the Steel Pole bidders suggesting an alternate bid method. The original package asked bidders to determine when they could deliver the poles and asked the contractor to state the delivery date. The second amendment provides an alternative bidding mechanism in which the District requests that ten poles be delivered by October 15th. The on time delivery of these ten 34.5 kV poles will be part of the selection criteria for selecting a contractor but also carry an increased liquidated damages clause.

Manager Sharp stated that it is Staff's recommendation to authorize the General Manager and Board President to award the Out Valley Overhead Owner Furnished Material Weathered Steel Pole Contract to the lowest, responsive, responsible bidder based on the Engineer's recommendation, concurrence of the process by the General Counsel, the President's signature on the contract, and a maximum amount of the bid being no more than 110% of Engineer's estimate of \$1,600,000 or a maximum total of \$1,765,000.

Manager Sharp stated that should the bids come in higher than this amount, District staff, in consultation with the Board President, would determine if a July 20th meeting is warranted. A discussion ensued.

Director Ende motioned to approve Staff's recommendation to authorize the General Manager and Board President to award the Out Valley Overhead Owner Furnished Material Weathered Steel Pole Contract to the lowest, responsive, responsible bidder based on the Engineer's recommendation, concurrence of the process by the General Counsel, the President's signature on the contract, and a maximum amount of the bid being no more than 110% of Engineer's estimate of \$1,600,000 or a maximum total of \$1,765,000. Director Dornbrook seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors Ende,
Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

Manager Sharp stated that should no bidder be able to deliver the poles by the timeline requested, we will place this item on the August 10th Board meeting Agenda and this would likely mean that no 34.5 kV poles would be installed in 2013.

Manager Sharp presented a list of items that will need to be accomplished in 2013 to insure a 2014 completion date, to include the Timber Harvest, the installation of the concrete for the 115 kV poles, the 34.5 kV concrete, and the possibility of pre-drilling the 34.5 kV poles so that they will be completed going into 2014.

Manager Sharp stated that a major area of concern is the 34.5 kV pole installation as this falls into the Spotted Owl area with a limited construction period of August 15th to when the snow makes construction unfeasible.

Dave Rightley, Exponential Engineering presented an explanation on how these poles will be installed in such a steep and remote location. A discussion ensued.

Manager Sharp presented the revised expense forecast and stated that we have changed the format to include a "budget" which we are using as the forecast as of April 29, 2013. Manager Sharp continued to present the difference between the Budget of April 29, 2013 and the current forecast and the items that have contributed to the increase of \$1,560,000 in the current forecast as compared to budget. Dave Rightley presented an explanation of the increase. A discussion ensued.

Michelle Gamble, RCI, reported on the status of the permits and presented an overview of Q&D's progress and impending schedule and stated that they are very pleased with the progress that is being made. Michelle Gamble reported that we have received the Caltrans permit, and the FERC, DSOD and CPUC permits are all in the process. A discussion ensued.

8B. AGENDA ITEM:

Discussion and Possible Affirmation of Previous Approval of Interconnection Agreement with Pacific Gas and Electric. *Manager Sharp*

Manager Sharp stated that on March 30, 2013 the Board approved Resolution 13-06, authorizing the President of the Board to sign the Interconnection Agreement (IA) with PG&E, after consulting with

the General Manager and General Counsel. The Interconnection Agreement sets forth the construction costs and schedule and the ongoing operating relationship between PG&E and the District with regards to this project.

Manager Sharp stated that problems arose with the timeliness of receiving review comments from PG&E for the design of the Overhead line and thanks to action by Director Epstein and a Community member, PG&E management has become very involved and has devoted the needed resources to meet the District's timelines. Manager Sharp stated that the Board requested that staff re-engage PG&E on the two issues of the IA which are still of concern, the ITCC Tax and the Operations and Maintenance (O&M) charge. Manager Sharp stated that PG&E met internally and reaffirmed their position that their interpretation of the tax law requires that all costs associated would be subject to the ITCC tax and O&M charges.

Manager Sharp stated that in order to move forward with the project, the IA needs to be signed and go into effect in order for PG&E to collect funds to build their facilities and continue on their design review.

Manager Sharp stated that it is Staff's recommendation for the Board to reaffirm its acceptance of the Interconnection Agreement at this time and additionally, Staff and Director Epstein will find a tax attorney to review this issue. A discussion ensued.

Director Epstein motioned to approve Staff's recommendation for the Board to reaffirm its acceptance of the Interconnection Agreement. Director Ende seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors Ende,
Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

8C. AGENDA ITEM:

Discussion and Possible Bid Award for the Construction of the KM Green Grading and Drainage Project. *Manager Sharp/Michelle Gamble, RC*

Manager Sharp stated that the District held the bid opening for the KM Green Grading and Drainage project on June 24, 2013. Two bids were received within the time frame allowed. One was from Campbell Construction in the amount of \$422,474 and one from Q&D Construction in the amount of \$455,200. Both bids were from pre-qualified contractors who are qualified to complete the work.

Manager Sharp stated that the Engineer's estimate for this phase of the project was for \$325,000.

Michelle Gamble, RCI, discussed the areas where the actual construction bids deviated from the Engineer's estimate.

Manager Sharp stated that the District Board could reject all bids and re-bid the project with additional geotechnical information and material suggesting ideas which could reduce the cost.

Manager Sharp stated that it is Staff's recommendation, supported by the Engineer's recommendation for the Board to award the contract to Campbell Construction in the amount of \$422,474 and added that the District will work with the contractor to reduce the cost of the contract with additional geotechnical work and unit price reductions. A discussion ensued.

Director Dornbrook motioned to approve Resolution 13-10 authorizing approval of the Out Valley KM Green Grading and Drainage Construction Contract to Campbell Construction in the amount of \$422,474. Director Epstein seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors Ende,
Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

8D. AGENDA ITEM: Discussion and Possible Approval of Timber Harvest Settlement Agreement Between the District and the United States Forest Service in Relation to the Overhead Portion of the Out Valley Electric Transmission Line. Manager Sharp/ Michelle Gamble, RCI
Manager Sharp presented the United States Forest Service Agreement for a cost of \$119,000. Manager Sharp stated that this Agreement has been reviewed, modified and ultimately approved by the District's General Counsel.

Manager Sharp stated that the Agreement pays the Forest Service for their loss in revenue for the current and future trees in the Overhead and Sub-Station areas. We are paying the Forest Service for the current value of the trees removed, the value of the trees at full maturity and the future value of future tree growth.

Manager Sharp stated that it is Staff's recommendation to approve the USFS Timber Harvest Settlement Agreement.

Director Ende motioned to approve the USFS Timber Harvest Settlement Agreement. Director Dornbrook seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors Ende,
Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

8E. AGENDA ITEM:

Discussion and Possible Approval of Timber Harvest Contract in Relation to the Overhead Portion of the Out Valley Electric Transmission Line. Manager Sharp/Michelle Gamble, RCI

Manager Sharp presented the Timber Harvest contract that calls for the removal of the trees in the Overhead and Sub-Station portions of the project. Manager Sharp stated that this is anticipated to be a net income to the District, as the contractors are bidding on what the net return to the District will be after the timber sale and after they cover their costs of removal, transport and other services provided.

Manager Sharp stated that the bid opening is July 15, 2013 and it is Staff's recommendation that the Board authorize acceptance of the Timber Harvest contract to the General Manager with a signature on the contract by the Board President. Manager Sharp stated that this approach has been approved by the District's General Counsel. A discussion ensued with regards to the anticipated revenue and the time sensitivity.

Director Ende motioned to approve Staff's recommendation that the Board authorize acceptance of the Timber Harvest contract to the General Manager with a signature on the contract by the Board President. Director Epstein seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors Ende,
Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

8F. AGENDA ITEM:

Discussion and Possible Action Related to the Amount, Term and Conditions of the Third Draw on the Rural Utilities Service Loan, Out Valley Power Line Project. Manager Sharp

Manager Sharp reported that to date the District has taken out two RUS loan advances, one in the amount of \$20,637,510 at a rate of 2.75% and the second was \$2,240,000 at a rate of 2.479%. Both have 35 year terms with a no call option.

Manager Sharp stated that the Finance Committee met recently to discuss this matter, and concluded that the District should borrow in the \$7 million dollar range with the same long term no call option methodology. Manager Sharp presented a letter and back-up to RUS requesting this draw.

Director Epstein conveyed the strategy that the Finance Committee discussed with regards to this RUS loan draw. A discussion ensued.

Manager Sharp stated that it is Staff's recommendation that the Board authorize the General Manager to move forward on this RUS draw as recommended by the Finance Committee and presented today.

Director Epstein motioned to approve Staff's recommendation to authorize the General Manager to move forward on this \$7 million dollar RUS loan draw with the terms discussed. Director Ende seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors Ende,
Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

8G. AGENDA ITEM: Discussion and Possible Approval of Resolution of Amendment of Special Tax for a Community Facilities District, Authorizing the Levy of a Special Tax and Submitting Levy of Tax to Qualified Electors (Community Facilities District No. 98-01). Manager Sharp/ David Fama, Bond Counsel

This Agenda Item has been pulled from this Agenda.

8H. AGENDA ITEM: Discussion and Possible Approval of Resolution Declaring Results of Amendment of Special Tax Election, Determining Validity of Prior Proceedings, Approving Security Agreements and Directing Recording of Amended Notice of Special Tax Lien (Community Facilities District No. 98-1). Manager Sharp/David Fama, Bond Counsel

This Agenda Item has been pulled from this Agenda.

8I. AGENDA ITEM:

Review and Possible Action in Relation to an Electric Rate Study to Comply with Requirements of the Rural Utilities Service Loan Agreement. Manager Sharp/Office Manager Campbell

Manager Sharp stated that one of the requirements of the RUS Loan is that we show a minimum coverage ratio Tier of 1.05 on a calendar year basis. This includes depreciation which is over one million dollars. Manager Sharp stated that staff has reviewed the first five months of 2013 Actuals and combined with the Forecast Budget for the balance of the 2013 year, does not feel that we will make the required Tier ratio, with a shortfall of \$431,000.

Manager Sharp shared the reasons that the District will not make the 1.05 Tier ratios and stated that the budget for 2013 is \$556,000 short of this Tier ratio.

Manager Sharp stated that in order to enact a rate increase the District needs to call for a Public Hearing and then pass the Ordinance which goes into effect thirty days later. The increase would not go into effect until September 1, 2013.

Manager Sharp stated that it is Staff's recommendation for the Board to call for a Public Hearing to discuss an increase at the August 10, 2013 Board meeting. This increase would be 9% and will be enough to cover the 1.05 Tier for fiscal year 2014. The 2014-2015 budget would be structured to also meet this tier ratio.

Manager Sharp stated that this issue was discussed at length at the Finance Committee meeting and the thought of subsidizing electric rates with property tax funds was discussed. Manager Sharp presented a spreadsheet showing the effects on the rates of utilizing a portion of property taxes.

Director Epstein presented an explanation of the rate increase that was discussed by the Finance Committee. A discussion ensued.

Director Ende motioned to call a Public Hearing to discuss the electric rate increase at the August 10, 2013 Board meeting. President Richert seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors, Ende, Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

8J. AGENDA ITEM:

Review and Possible Approval of Resolution Approving the District's 2013-2014 Financial Budget. *Manager Sharp/Office Manager Campbell*

Manager Sharp presented the District's 2013-2014 Financial Budget and stated that this was previously sent out to the Board and the Finance Committee to review and he is proposing that this be considered for approval at the August 10th Board meeting when Director O'Grady returns.

Office Manager Campbell presented an overview of the latest edition of the 2013-2014 Budget package. A discussion ensued.

Director Epstein stated that he feels the numbers are correct, however he would like to see a narrative drawn up to explain the Budget rationale and that we have that available for the next Board meeting. . A discussion ensued with regards to approving the Budget at this meeting.

Director Epstein stated that the Budget has been reviewed during the last two Finance Committee meetings and changes have been requested and completed by staff and he feels that the Board should approve the Budget at this time instead of waiting for another month.

Director Ende motioned to approve Resolution 13-09 adopting the Fiscal Year 2013-2014 Financial Plan as submitted by Staff. Director Dornbrook seconded the motion and it carried by the following voice vote:

AYES: President Richert, Directors, Ende, Dornbrook and Epstein

NOES: None

ABSENT: Director O'Grady

ABSTAINING: None

9. MANAGER REPORTS:

a. General Manager Report

Manager Sharp reported that Kiva Energy, our Propane supplier, has found an error in their accounting records and the District has received a \$35,000 refund.

Director Epstein stated that we also have carbon emission allowances that should also be considered during the Rate Adjustment discussion. Manager Fichtner stated these will be placed in the October auction.

Manager Sharp stated that the July Newsletter has gone out and topics covered include the Out Valley construction, the Volcano outages, electric rates and the Notice of Election. The Declaration of Candidacy period will go from July 15th to August 9th, and this will be the first time that we will have At-Large Voting system. Three seats will be up for election, currently held by Bob Epstein, Peter Dornbrook and Eric Richert.

Manager Sharp reported on the meeting that he had with El Dorado Irrigation District with regards to the water rights issue. Manager Sharp stated that the next step on the Water Study will be to get a proposal from a Water Rights Engineer to actually file for rights and complete the team of staff, District Attorney Shanahan, and Wheeler Engineering. A discussion ensued.

Manager Sharp presented a District Engineer update and stated that the membranes are still on schedule for an August delivery and reported on Well 4 & 5 upgrades.

Manager Sharp reported that he has met with Dennis DeCuir and District's Attorney Shanahan with regards to the Power Purchase Agreement and will be coming back to the Board with a proposal on what it will take to finalize this non-binding Agreement.

Manager Sharp reported on future Agenda titles.

- b. Operations Report. Assistant Manager Ansel
Assistant Manager Ansel presented a brief report on the KVFD Wine Tasting/Barbeque and thanked all those that were instrumental in making it a success.

Assistant Manager Ansel stated that the Death Ride Event will be held on July 13th and Volunteers are still needed.

Assistant Manager Ansel reported on the Summer Project priorities.

- c. Electric/Propane Systems. Manager Fichtner
Manager Fichtner presented an update on the electric distribution departments and stated that there will be a power outage on Tuesday, July 9th so that the Commercial Loop project can be completed. The next projects will be the Bridge, Palisades, and the CPUC electric distribution project.

Manager Fichtner reported on the Powerhouse Tours that were held on July 6th and stated that the District had 28 people come through.

Manager Fichtner presented a summary of our average production of kilowatt hours per gallon that Manger Sharp had requested for the year, and how we can improve on this next year.

Manager Fichtner reported that Kiva Energy will be conducting a propane leak survey that is required by CPUC every five years, with this being our first.

Manager Fichtner presented an update on the status of the Met Tower stating that the special design has been completed and that there is a tower that meets the Amador County Ice and Wind load requirements, however it is not the tower that we have. We will be returning the old tower and have the new tower shipped.

President Richert requested a meeting with District staff and Al Graf to discuss net metering. A discussion ensued.

d. Administrative Report. Office Manager Campbell

Office Manager Campbell presented the May financials. A discussion ensued.

Office Manager Campbell stated that AKT Auditors arrived on site on June 10th and spent three days conducting a pre-audit that she felt was very productive. AKT will return on August 5th to complete the Audit and Office Manager Campbell believes the Audit will be completed by the end of September.

10. COMMITTEE REPORTS:

a. Communications. Bob Epstein

Director Epstein thanked Cheryl Stern and Drew Meteer for their help in getting the new website up and running.

Director Epstein noted that this was the first time we have done on-line registrations for the KVFD Barbeque and 146 online registrations were received.

Director Epstein reported that an online survey went out to about 700 email addresses and to date 99 people have taken the survey and 82 finished the survey.

Director Epstein reported on the next steps that the Committee will take include a Community Directory, expand the web presence with an online email system, and more customer billing information and un-billed information.

- b. Planning. Bob Ende
Director Ende gave a brief update of the Mello Roos status and stated that the last Planning Committee meeting was canceled so there is nothing new to report at this time.
- c. Finance. Standish O'Grady
Director Epstein reported that the Finance Committee has reviewed the expense tracking/budgeting for the Out Valley project, discussed the 2013-2014 Budget and PowerSecure negotiations, and the goal is to be prepared to reduce debt expense.
- d. Operations. Peter Dornbrook
Director Dornbrook stated that there is nothing new to report at this time that has not already been discussed.
- e. Capital Projects. Peter Dornbrook
Director Dornbrook stated that there is nothing new to report at this time that has not already been discussed.
- f. Personnel. Eric Richert
President Richert stated that the Personnel Committee met and reviewed the CalPERS Cafeteria Plan and will bring this back for Board review and possible approval at a future Board meeting. The General Manager goals were reviewed and the final analysis was rated at 90-93% completion. A full report will be prepared for public viewing.

The General Manager's current fiscal years goals were discussed and will be established Through Committee input.

11. GENERAL DISCUSSION:


Director Ende inquired if there would be a full quorum for the August 10, 2013 Board meeting as he may not be able to attend.

12. CLOSED SESSION:

At 10:55am President Richert closed the Open portion of the meeting to go into Closed Session, to discuss Personnel Annual Performance Reviews Pursuant to Government Code 54597.6

13. ADJOURNMENT:

At 12:00 noon, President Richert reopened the Open portion of the meeting and stated that the District's General Manager had received his annual performance review and direction had been given to staff. There being no further business to come before the Board, President Richert adjourned the meeting at 12:10 pm.


Secretary

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