

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, AUGUST 10, 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.

MEMBERS PRESENT: Present were President Richert, Directors O'Grady, Ende, Dornbrook and Epstein
Via Teleconference: Dave Rightley, (Exponential Engineering), JoAnne Robben, (RCI)
Also present were General Manager Sharp, Rick Ansel (Assistant Manager, Operations), Jill Campbell (Assistant Manager, Administration), Brandi Fichtner (Electric/Propane Manager), Rena Sullivan (District Clerk), Drew Meteer (Assistant Office Manager), Cheryl Stern (District Admin.), Michelle Gamble (RCI), Nate Whaley (KCP), Gary Sargent, Allan Sapp, Caroline Scott, and Geoff Smith (Community Residents)

MEMBERS ABSENT: None

ORAL COMMUNICATION
/PUBLIC INPUT: None

CORRECTIONS TO THE AGENDA
OR CONSENT CALENDAR:

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

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

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

NOES: None

ABSENT: None

ABSTAINING: None

ADOPTION OF THE CONSENT CALENDAR:

1. Approval of Minutes from the June 8, 2013 Board Meeting.

2. Approval of Minutes from the July 7, 2013 Board Meeting.
3. Approval of Current Consent for Claims.
4. Approval of increase of salary of District General Manager position.
5. Approval of Snow Removal 1) Refund amounts in relation to the 2012-2013 Snow Removal Contracts, 2) Contract forms to be used for 2013-2014 contracts, 3) Contract amounts for the 2013-2014 season.
6. Approval of the Fourth Amendment to the 1998 Solid Waste Collection Services Agreement between the Kirkwood Meadows Public Utility District and ACES Waste Services, Inc.
7. Review of Current Receivables/ Shut Offs Report.

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

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

NOES: None

ABSENT: None

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, RCI

Michelle Gamble, RCI, presented an update of the Underground portion of the Out Valley Power Line Project reporting on the portion that has been completed and the plan for what is coming next. Michelle Gamble stated that Caltrans has been exceptional to work with and very accommodating with traffic control and our work in the right of way.

Michelle Gamble reported that there was a pre-construction meeting with the Timber Harvesters and they are ready to go as soon as the Notice to Proceed is issued.

Michelle Gamble stated that we are waiting on the final approval from RUS on the KM Green Grading and Drainage contract documents. The date to begin this has been changed to August 26th. Michelle Gamble reported that they are looking into redesigning the access road into the KM Green Sub-station which will reduce the necessary materials needed, it will be easier to construct and will be a cost reduction.

Michelle Gamble reported that we have obtained approval from the Division of Dam Safety, we have received the CPUC Notice to Construct with the appeal period ending on July 11th with no appeals, and we are waiting on the final FERC authorization.

Manager Sharp stated that weekly meetings with PG&E continue and have been very productive. The first payment on the Interconnection Agreement (IA) is included in the Consent and does come with the 22% ITCC tax. The total Engineering Services Agreement, which preceded the IA, also comes with the 22% ITCC tax. Manager Sharp reported that on July 12th the third draw on the RUS loan was taken in the amount of \$ 7.4 million dollars at a 3.46% interest rate. A discussion ensued.

8B. AGENDA ITEM:

Discussion and Possible Approval of Resolution Approving Bid Award for the Kirkwood Meadows Public Utility District Salt Springs to Lower Bear River Reservoir 115/34.5 kV Overhead Transmission Line Project. *Manager Sharp*

Manager Sharp stated that on July 10th the District put out a Request for Proposal (RFP) for the Overhead construction portion of the Out Valley project to nine pre-qualified contractors. On July 17th the District held a mandatory site visit and then on July 25th the District put out a second Amendment which stressed the importance of the comprehensive schedule to complete the project within the required timeline.

Manager Sharp stated that on August 5th the District held a public bid opening with Par Electrical coming in at \$12,390,000, Barnard Construction coming in at \$11,166,000, and Wilson Construction coming in at \$10,353,000. Manager Sharp stated that all three bidders were interviewed and understood the necessity of the schedule and presented information indicating that the project would be done on time.

Manager Sharp stated that the Engineer's estimate was \$4,776,000; approximately \$5.5 million lower than the lowest bid. Both the Engineer's estimate and the proposals included the cost of the steel poles. The main difference between the Engineer's estimate and the contractors bid was the cost to install the 34.5 kV poles and the installation of the 115 kV foundations.

Manager Sharp introduced Dave Rightley, Exponential Engineering, who discussed the difference between the Engineer's estimate and Contractors bids. A discussion ensued.

Manager Sharp stated that the Board has several options to consider.

- 1) To accept the lowest responsive responsible bid on August 10th and try to negotiate reductions in price due to change orders.

- 2) To delay a decision for one week in order to give the District time to evaluate the proposals and potential areas of savings and research the process and timelines of amending the EIR for a redesign.
- 3) Reject all bids and rebid with a possible new configuration and information derived from contractors.
- 4) Reject all bids and redesign the project with an amendment to the EIR/EIS.
- 5) Reject all bids, realign the project and make an amendment to the EIR/EIS and open up the FERC permit amendment to possibly move KM Green down to Salt Springs.

Manager Sharp explained each option in detail. A long discussion ensued. Each Board member verbalized their recommendations. Manager Sharp stated that both Exponential Engineering and RCI are recommending option 1 or 2 and based on the analysis of the bids they both are recommending the acceptance of the bid submitted by Wilson Construction Company in the amount of \$10,353,877. Manager Sharp stated that the contract will require RUS approval.

Manager Sharp stated that Staff's recommendation would be to accept the bid submitted by Wilson Construction today. President Richert asked if we could accept the Wilson bid contingent upon some reduction in cost based on new information received. Manager Sharp stated that we cannot negotiate with the lowest priced bidder; we have to accept the bid and then try to work with the Contractor. A discussion ensued.

Director Epstein motioned to approve Resolution 13-11 approving the bid award for the Kirkwood Meadows Public Utility District Salt Springs to Lower Bear River Reservoir 115/34.5 kV Overhead Transmission Line Project to Wilson Construction Company. Director Ende seconded the motion and it carried by the following voice vote:

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

NOES: President Richert

ABSENT: None

ABSTAINING: None

8C. 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.

8D. 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.

8E. AGENDA ITEM: Public Hearing: Public Input, Discussion and Possible Approval of Ordinance Approving Electric Rate Adjustment in Relation to the Electric Rate Study to Comply with Requirements of the Rural Utilities Service Loan Agreement. *Manager Sharp/Assistant Manager Campbell*

Manager Sharp stated that the current financial forecast indicates that the Districts current electric rate is insufficient to cover the 1.05 margin on the mortgage covenant of the RUS loan. The reason we will not meet the tier ratio for 2013 is due to not meeting the production marks in January, February and March of 2013. Manager Sharp stated that at the June 21, 2013 Finance Committee meeting the Committee discussed the possibility of allocating property tax revenues to subsidize the department and lower the potential rate increase. The District could also use potential revenue from the Cap and Trade Credit to subsidize the potential rate increase. This revenue is anticipated at approximately \$35,000/year.

Manager Sharp stated that staff recommends that the Board approve allocating \$210,000 in property tax revenues to the Electric department leaving \$239,000 unallocated property taxes for the 2013 Fiscal year. District Staff recommends using the anticipated \$40,000 in CUC revenue to help subsidize the electric rate. With the above two options the rate increase needed would be \$181,000 that would amount to an electric usage rate increase of \$01.8 from \$0.52 to \$0.54 per kilowatt which would represent a 3.6% electric use rate increase.

Director Epstein added an overview explanation of what was discussed at the Finance Committee meeting. A discussion ensued.

The Public Hearing opened at 9:50 a.m. and was closed at 10:00 a.m.

Director Epstein commented that we owe the Community an explanation of what the long term looks like and the rate reduction strategy that we are using to make electricity more affordable. It was suggested that this be an Agenda item at the September 1, 2013 Board meeting.

Director O'Grady motioned to approve Ordinance 13-01 approving electric rate adjustment in relation to the electric rate study to comply with requirements of the Rural Utilities Service Loan Agreement. Director Epstein seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8F. AGENDA ITEM:

Presentation of Water, Wastewater and Solid Waste Rate Study and Consideration of Calling for a Public Hearing to Discuss Possible Rate Adjustments. *Manager Sharp/Assistant Manager Campbell*

Manager Sharp stated that the District Staff has been working on a Rate Study to determine if a rate adjustment is needed for water, wastewater, and solid waste enterprises. In the past property taxes have been used to subsidize these departments and to fund all capital projects. Manager Sharp stated that current legislation requires water utilities to install water meters and to institute a consumptive charge as a water conservation measure. Manager Sharp stated that water is currently charged a base rate only. To comply with this legislation and to offset the net loss, the Rate Study recommends instituting a consumptive charge of \$4.00 per 100 cubic feet, identical to the Irrigation charge. This would generate \$57,000/year, comply with the legislation, offset the net loss and begin building reserves for capital projects.

Manager Sharp stated that the Wastewater Rate Study forecasts \$167,000 net loss including the COP debt which is to be used primarily for the membrane replacement project. To offset this net loss the Rate Study calls for an 8% increase each year over the next three years. At the end of this period wastewater will come close to breaking even on a cash basis.

Manager Sharp reported that for Solid Waste the Rate Study reflects that the department comes close to breaking even currently. The Rate Study calls for an annual CPI rate increase for Solid Waste which is already the case for the balance of our enterprise departments.

District Staff recommends that the Board call for a Public Hearing at the October 12, 2013 meeting. A notice will be mailed to all property owners describing the amount of the proposed increase, how it was calculated, explanation etc. and will take all public input at that time. At the October 12th meeting the Board will consider

public input to determine if a majority protest exists and to determine if a proposed increase should be activated or if property taxes should continue to subsidize these departments.

Director Epstein again suggested an overall strategy be developed for property taxes. President Richert suggested that this topic be discussed at the Finance Committee and also suggested taking a few users and showing what a typical bill would look like either monthly or annually as an example. A discussion ensued.

Director Dornbrook motioned to approve a Public Hearing on October 12, 2013 to discuss possible rate adjustments. President Richert seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8G. AGENDA ITEM:

Discussion and Possible Approval of Resolution Modifying Ordinance 12-04 Rule Concerning Interconnection of Distributed Electric Resources and Net Energy Metering. *Manager Sharp*

Manager Sharp stated that District Staff has had ongoing conversations with net metering customers regarding the net metering agreements that the Board has previously approved. Manager Sharp reported that after much research and consultations with our Attorney District Staff feels that it is necessary to revise our rules and agreement. Manager Sharp presented recent correspondence had with the District's Legal and net metering customers and proposed revisions to the net metering rules and agreement and stated that this has also gone out to the three net metering customers for their input.

Manager Sharp stated that it is Staff's recommendation that the Board and net metering customers review the revisions and bring it back to the Board meeting on September 1, 2013 for consideration.

Manager Sharp presented a brief explanation of what the new revisions are. The Board deferred this Agenda item to the September 1, 2013 Board meeting.

8H. AGENDA ITEM:

Review of Committee Input, Discussion and Possible Action Related to District/General Manager Goals for the 2013-2014 Fiscal Year. *Manager Sharp*

This Agenda Item has been pulled from this Agenda.

9. MANAGER REPORTS:

a. General Manager Report

Manager Sharp presented a Commercial Construction Checklist that illustrates the complexity of the review and approval process of new development. District Attorney Dick Shanahan is currently reviewing our two main agreements to insure that they comply with the statutes of industry standards today. The District has been working with the Counties to coordinate our inspection and approval process.

Manager Sharp reported that District Staff has had extensive involvement with the potential revision of the Mello Roos rates and method of apportionment and this has reemphasized the need for the District to stay on top of the planning and development issue.

Manager Sharp reported that David Waddle was awarded the Employee of the Quarter Award on July 26th for the second quarter of 2013.

Manager Sharp reported that Jill Campbell has been promoted to Assistant Manager of Administration.

b. Operations Report. Assistant Manager Ansel

Assistant Manager Ansel presented the updated Summer Project list and reported on the modifications to Wells 4 & 5 and the new membranes in the Wastewater Treatment Plant.

Assistant Manager Ansel reported that Insurance Services Office will be onsite to inspect the District's Fire Department, Water system and communications. A discussion ensued.

Assistant Manager Ansel reported that the KVFD Wine Tasting & Barbeque Ad Hoc Committee met and the net revenue raised at this year's event was \$17,556.74. A new thermal imaging camera has been purchased and many thanks were given to the Committee and Volunteers.

Assistant Manager Ansel announced that the 33rd Annual 5K/10K Fun Run is scheduled for August 31st and volunteers are still needed.

c. Electric/Propane Systems. Manager Fichtner

Manager Fichtner presented an update on both the Electrical and Propane systems stating that the Commercial Core Loop project has been completed and we have obtained a new building permit from Amador County for the

new Met Tower and expects the new tower to arrive in mid-September.

Manager Fichtner reported on the Power Quality Study that was previously approved by the Board and stated that we have received an update from Exponential Engineering on the Sensus meters that will be part of this study and will be about \$2000 per meter. We expect to install three meters throughout the Valley, one in residential, one in commercial and one on the lift circuit. Exponential will be taking the data that we collect from these meters to do a study on harmonics, reactive energy and mitigation measures. These meters will stay permanently installed so that we will have access to these features.

Manager Fichtner presented the completed propane leak survey done by Kiva Energy. This survey is a requirement of CPUC Safety Division and required every five years. CPUC will be onsite to inspect our Propane system on September 11th.

- d. Administrative Report. Office Manager Campbell
Assistant Manager Campbell presented the Year End financials to include the Balance Sheet and Combined Income Statement. A discussion ensued.

Assistant Manager Campbell stated that a narrative has been added to the 2013/2014 Fiscal Year Budget, as requested at the last Board meeting and a summary page has been added for Water and Wastewater. A discussion ensued.

Assistant Manager Campbell reported that AKT was onsite to complete the field work for the Audit.

10. COMMITTEE REPORTS:

- a. Communications. Bob Epstein
Director Epstein reported on the Customer Satisfaction Survey stating that 715 surveys were emailed out and 25% of those returned comments with 90% satisfied to highly satisfied with the service that we provide. Director Epstein stated that Cheryl Stern will take the lead on formatting the results.

Director Epstein reported on the strategy going forward for the new website.

- b. Planning. Bob Ende
Director Ende presented an update on the Mello Roos, Caples Lake water rights and the Meadow Trail.

c. Finance. Standish O'Grady

Director O'Grady presented an update on the remaining RUS borrowing strategy and Director Epstein stated that our goal is to always pay off debt without penalties.

d. Operations. Peter Dornbrook

Director Dornbrook reported that the District has signed a new contract with ACES Solid Waste and we have negotiated and taken ownership of 15 dumpsters at no charge and improvements have been made to our Recycling program. Orange bags for all acceptable recycling items are now available to all homeowners for free and may be obtained at the Kirkwood Meadows Community Services Building.

Director Dornbrook reported that the 924 Loader has been repaired and we did save some money by negotiating with Holt of California, who we purchased it from.

Director Dornbrook stated that we will go forward on the first phase, limited purchase, of LED lights.

e. Capital Projects. Peter Dornbrook

Director Dornbrook reported that Matt Wheeler will be focusing on an infiltration study and a flow meter will be installed at the Wastewater Treatment Plant.

f. Personnel. Eric Richert

President Richert stated that the Personnel Committee will meet within the next few weeks to address the General Manager goals.

11. GENERAL DISCUSSION:

Assistant Manager Campbell mentioned that the District's new phone system will be installed on Monday and all calls will be answered by a real person and then be re-directed.

12. ADJOURNMENT: The meeting was adjourned at 11:25 a.m.


Secretary ms

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