

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, OCTOBER 12, 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: Jill Campbell (Assistant Manager, Administration), Dave Rightley, (Exponential Engineering), Howard Barnes (RUS Consultant), Scott Daniels (AKT Auditors)
Also present were General Manager Sharp, Rick Ansel (Assistant Manager, Operations), Brandi Fichtner (Electric/Propane Manager), Rena Sullivan (District Clerk), Drew Meteer (Assistant Office Manager), Jen Barstad (Accounting), Kelly McBride (Accounting), Cheryl Stern (District Admin.), Michelle Gamble (RCI), Matt Wheeler (Wheeler Engineering), and Jan & Jim Hill, and Melene & Geoff Smith (Community Residents)

MEMBERS ABSENT: None

ORAL COMMUNICATION
/PUBLIC INPUT: None

CORRECTIONS TO THE AGENDA
OR CONSENT CALENDAR: None

ADOPTION OF THE CONSENT CALENDAR:
Director Dornbrook motioned to approve the Adoption of the Consent Calendar. Director Epstein 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 and Impacts of the US Government Shutdown 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 Project and stated that solid progress is being made this construction season. The direct bury and paving is completed for this season, revegetation has begun on some of the disturbed areas, and the Trencher has been demobilized. Michelle Gamble reported that Q&D have begun the installation of the vault and sectionalizing cabinets at the Powerhouse and on Hwy. 88/Kirkwood Meadows Drive and cable is scheduled to be pulled in Kirkwood this year and the creek crossing has been completed. A discussion ensued.

Michelle Gamble reported on the Overhead and stated that we have received RUS approval for the Wilson Construction contract and they anticipate working until November 22nd. A discussion ensued.

Michelle Gamble reported that the Timber Harvest was completed on October 2nd and the final walk through with the PG&E sub consultant has been completed who requested some additional limbing be done. A discussion ensued with regards to how the Timber Harvest contract works.

Michelle Gamble reported that the pad for the KM Green Sub-station is close to completion and a bid for the Transformers for the KM Green Sub-station will be being brought before the Board. An updated project schedule was presented.

Howard Barnes presented a power point presentation to give the Board an idea of the potential impact of a delay in completing the project in 2014 and in submitting the B8 Supplemental Loan in November. The B8 Supplemental Loan is to cover the costs over and above what is currently available through RUS.

A discussion ensued with regards to the Government shutdown and the possible repercussion that this may have on the Out Valley Project and what we might do as a community to let our voice be heard.

Manager Sharp stated that two additional projects have developed due to the Out Valley Project. In a cost saving move the District has purchased many items as owner furnished materials. One of these items is the underground cable that was delivered on 8' high spools which are now the responsibility of the District to dispose of. Due to the high cost that was quoted by an outside service, it has been decided that District Staff will begin demobilizing these to clear the area by November 1st. Manager Sharp stated that we will

also be installing bollards to protect the new sectionalizing cabinets and newly cleared Powerhouse site.

Manager Sharp reported that Staff has been working with PG&E to determine the ITCC Tax that we will be subject to and stated that he is looking to the Board for authorization to engage a Tax Attorney to review correspondence with PG&E and give an opinion and direction. It was the consensus of the Board to authorize Manager Sharp to pursue the retention of a Tax Attorney that has been referred to the District by Attorney Dick Shanahan and bring a proposal and/or a retainer agreement back to the Board for approval.

8B. AGENDA ITEM:

Discussion and Possible Approval of Procurement Agreement for the KM Green Substation Project, 115 & 34.5 kV Power Transformer, in Relation to the District's Out Valley Power Line Project. *Manager Sharp/Dave Rightley, Exponential Engineering*
Manager Sharp stated that the District has gone out to bid for the 115kV/34.5kV Transformer on September 19, 2013 and on October 8th the District held a bid opening and received six proposals. Manager Sharp introduced Dave Rightley who discussed the proposals and offered his recommendation.

Dave Rightley stated that the Transformer for the KM Green Substation will convert the voltage from 115kV down to 34.5kV and Exponential Engineering has written the specifications for the Transformer and has received approval from PG&E. This Transformer will be owned and maintained by the District and will be the largest and most expensive item at the KM Green Substation and will require the longest lead time. Dave Rightley stated that Virginia Transformers had the lowest price and we have confirmed that they have signed all the proper RUS contract documents and agreed to the supplemental conditions that are part of our purchase documents. The contractor has agreed to meet our delivery schedule and delivery by the manufacturer to the KM Green Sub-station site is included in the price. Dave Rightley recommended that the contract be awarded to Virginia Transformers for \$233,106. A discussion ensued.

Manager Sharp stated that it is Staff's recommendation to follow Exponential Engineering's recommendation and award the contract to Virginia Transformers.

Director O'Grady motioned to approve the Procurement Agreement for the KM Green Substation Project, 115kV/34.5kV Power Transformer to Virginia Transformers. 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

8C. AGENDA ITEM:

Discussion and Possible Approval of Proposal from Computer Courage to Complete Programming to Enable Real Time Meter Reads and Alarms, Enhance Bill Format and Presentation and to Create an Emergency Notification System. Bob Epstein/Manager Sharp

Manager Sharp stated that on October 3rd the District sent a Request for Proposal (RFP) to Computer Courage to enlist their help in enabling the District to receive hourly meter data from electric, propane and water meters, get email and/or text alerts from leaks within the District, enable a secure display of customer statements at kmpud.com and allow the ability to email these statements and to allow for emergency alerts via email and/or text.

Manager Sharp stated that Director Epstein has spearheaded this effort. Director Epstein presented a new user friendly bill format and stated that the overall goal is to have all customer information available within the kmpud.com website in a format that customers will utilize and to no longer require any online access to PCS. Director Epstein shared how to register on the website and features that we may see in the future. A discussion ensued.

Director Ende motioned to approve the proposal from Computer Courage in the amount of \$15,000.00 to complete programming to enable real time meter reads and alarms, enhance bill format and presentation and to create an emergency notification system. Director O'Grady 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

8D. AGENDA ITEM:

Discussion and Possible Action Regarding the Installation of Flex Net Automated Meter Read System for the District's Water Department. Manager Sharp

Manager Sharp stated that in the spring of 2011 the Board authorized the installation of Flex Net Meters and Registers on the electric and propane services to eliminate the issue of estimated reads and to provide a mechanism for leak detection. This project was completed and the District has been happy with the read

capabilities, however the leak detection is not automatic and requires running a report and then determining inordinate usage. In March 2013 the District approved the Certificate of Participation (COP) loan which has an allocation to install a water meter flex net system. This project has been delayed primarily due to problems with the automatic leak notification and questions that we have on the installation.

Manager Sharp stated that Computer Courage and Director Epstein may have found a solution to the automatic leak detection issue allowing for an email/text message to go to the District and the customer if usage is detected above a certain parameter. This project will be funded through the COP which would be paid back through a meter charge of \$3.30 per meter/per month over a ten year term. Manager Sharp presented the detailed rearrangement of the COP. Manager Sharp stated that if the Board decided to move forward with this project the meters will not be purchased until Computer Courage has completed and tested the system to insure success. A discussion ensued.

Director Dornbrook motioned to approve the installation of the Flex Net Automated Meter Read System for the District's Water Department contingent upon Computer Courage completing and testing the system to insure success. Director Ende 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

8E. AGENDA ITEM:

Public Hearing: Input from the Public, Discussion and Possible Approval of Ordinance in Regards to a Rate Increase/Adjustment for the Wastewater, Water and Solid Waste Departments.
Manager Sharp

Manager Sharp presented information regarding a potential rate increase for the Water, Wastewater and Solid Waste Departments along with supportive documentation. Manager Sharp stated that the Rate Study describes the District in its current rate structure and identifies the need for a potential increase in that water and wastewater revenues are not sufficient to meet operating expenses or the additional debt expense of the COP loan. The Rate Study recommends the institution of a water meter charge of \$1.46 per month per meter to fund the Flex Net Meter project and notes that this will appear on the bill as a single water meter charge of \$3.30. Additionally, the Study recommends instituting a water

consumption charge of \$4.00 per 100 cubic feet, mandated by the State as a conservation measure.

Manager Sharp stated that the Wastewater Rate Study recommends a 3.5% increase each year over the next three years on both the base rate and the consumptive rate. This charge will lessen the impact of the Departments reliance on the property tax subsidy. The Rate Study further recommends instituting a CPI annual increase for the Solid Waste department as is done for the balance of the enterprise funds.

Manager Sharp stated that District Staff feels that it is important to keep active in ensuring that our rates are sufficient to provide the services required and therefore recommends that the Board approve Ordinance 13-03. Director O'Grady stated that the Finance Committee has discussed this agenda topic and concurs with Manager Sharp's recommendation.

The Public Hearing was opened at 9:29 a.m. President Richert reviewed the cost increases and recommendations and then heard comments from the Public. A discussion ensued.

The Public Hearing was closed at 9:41 a.m.

Director Dornbrook motioned to approve Ordinance 13-03 in regards to a rate increase/adjustment for the Wastewater, Water and Solid Waste Departments. 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, Discussion and Possible Action Regarding the All Services Capacity Analysis and Water Source Investigation.
Manager Sharp/Matt Wheeler, District Engineer

Director Ende stated that Matt Wheeler has been working with the Planning Committee with the objective of mapping out the requirements for District services at full build out.

Matt Wheeler presented a Power Point presentation which demonstrated the basis for the growth projections, focusing on Water and Wastewater and touching on Electrical, Employee Housing, Fire and Propane and stated that this is all based on the 2003 Specific Plan assuming build out is 2026. Water storage, status of our Wells, and Caples Lake as a viable water source were discussed.

8G. AGENDA ITEM: Update on the Installation and Warranty Conditions of New Koch Membranes Being Installed at the Wastewater Treatment Plant. *Manager Sharp/Matt Wheeler, District Engineer*

Matt Wheeler presented an update of the installation schedule for the new Koch Membrane system and stated that we have a 60 month warranty that is pro-rated after the first year which covers the membranes themselves but not the installation. Matt Wheeler stated that maintenance templates are being created for staff to submit. A discussion ensued.

8H. AGENDA ITEM: Discussion and Possible Approval of the District's Financial Audit for the 2012-2013 Fiscal Year. *Manager Sharp*

Manager Sharp stated that on May 24, 2013 the Board accepted the proposal from AKT Auditors to complete the 2012-13 audit and introduced Scott Daniels, AKT, who presented a Power Point presentation along with discussing the letter to the Board of Directors and an overview of the Audit/Financial statements, and letters required by RUS.

Director O'Grady asked Scott Daniels to address the Government Accounting standards requirement of a management discussion and analyzes. Scott Daniels addressed this and stated that even though required it is not uncommon that an MBNA is not included and this is highlighted in the report, and Scott Daniels stated that there have been no issues with this.

Director O'Grady noted that last year the Audit was reviewed by the Finance Committee with a follow up call with AKT and the Finance Committee is prepared to do that again this year. Manager Sharp stated that he fully anticipates the audit being discussed with the Finance Committee.

Director O'Grady stated that his goal would be to come back next year with no material weaknesses and strong internal controls. A discussion ensued.

9. MANAGER REPORTS:

a. General Manager Report. *Manager Sharp*

Manager Sharp presented a report on the current development projects and stated that the District continues to work on the policies, agreements and procedures and conduct weekly meetings on current projects. As part of the development process the District has put out a construction deadline notification of October 15th as the last date to excavate unless an extension has been approved.

Manager Sharp reported that a will serve letter for the Timber Creek Townhomes has been issued.

Manager Sharp presented the beginning steps of managing our Interconnection Agreement with PG&E.

Manager Sharp reported that Colleen Fianna Campbell was born on September 30th to the District's Assistant Manager of Administration, Jill Campbell.

b. Operations Report. Assistant Manager Ansel

Assistant Manager Ansel presented the current Summer Project list stating that some of the projects were moved to 2014.

Assistant Manager Ansel reported that we did receive a donation from Tahoe Mountain Milers for the Kirkwood 10k race in the amount of \$1000 and a \$500 donation from the Kirkwood Community Association for the Chili Cook off.

Assistant Manager Ansel reported that we have hired Bob Weber again this year to do the Chipping Program for the Valley and we anticipate the last day for this to be October 18th.

c. Electric/Propane Systems. Manager Fichtner

Manager Fichtner presented an Electric/Propane update and reported that we had a power outage that lasted about a minute on October 11th. Manager Fichtner stated that we have been working with PowerSecure on a fuel pressure issue with the Volvo generators that she feels was a factor in the power outage. A discussion ensued.

Manager Fichtner reported that the Met Tower is now operational and we will be able to retrieve online data from the Great Basin website which is updated hourly that will show temperature, wind speed and direction and precipitation in the form of inches of water.

Manager Fichtner reported that the Mountain Utilities site clean-up is complete and we will be removing the transformer from that site.

d. Administrative Report. Staff Accountants Kelly McBride & Jen Barstad

Kelly McBride and Jen Barstad, Staff Accountants, presented the Balance Sheet, Combined Income Statements and the Operating Cash Waterfall.

Director Epstein asked to see the Kilowatt hours sold versus the Budget

10. COMMITTEE REPORTS:

- a. Communications. Bob Epstein
Director Epstein stated that there is nothing new to report at this time that has not already been discussed.
- b. Planning. Bob Ende
Director Ende stated that there is nothing new to report at this time that has not already been discussed.
- c. Finance. Standish O'Grady
Director O'Grady stated that there is nothing new to report at this time that has not already been discussed.
- 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 there is nothing new to report at this time.

11. GENERAL DISCUSSION:

President Richert stated that a new date needs to be set for the Rate Strategy Session that was originally scheduled for November 8th. It was the consensus of the Board to reschedule this for the week of December 23 with day and time to be decided.

12. OUT VALLEY TOUR: The Board and any interested members of the public are invited to take a tour of the Out Valley Electrical Power Line. Public will need to provide separate transportation.

13. ADJOURNMENT: The meeting was adjourned at 11:15 a.m.


Secretary

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