

MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, JANUARY 11, 2014
AT THE HOUR OF 8:00 A.M.

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

ANNOUNCEMENTS: Manager Sharp 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 kmpudms@volcano.net. Manager Sharp welcomed Alpine County Supervisors Terry Woodrow and Ron Hames, Peter Forsch, Kirkwood Resort Development (KRD), Tom Ghidossi and Dave Rightley, Exponential Engineering and Nicole Waddell, District AV Assistant.

MEMBERS PRESENT: Present were Vice President Ende, Directors Richert, Dornbrook and Epstein
Via Teleconference: Dave Rightley and Tom Ghidossi, (Exponential Engineering)
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), Nicole Waddell (Admin./A.V. Assistant), , Cheryl Stern (District Admin.), Michelle Gamble (RCI), Terry Woodrow and Ron Hames (Alpine County Board of Supervisors), Teola Tramayne (Alpine County Clerk), Peter Forsch (KRD), and Allan Sapp (Community Resident)

MEMBERS ABSENT: President O'Grady

ORAL COMMUNICATION
/PUBLIC INPUT: None

CORRECTIONS TO THE AGENDA
OR CONSENT CALENDAR: None

ADOPTION OF THE CONSENT CALENDAR:
Director Richert motioned to approve the Adoption of the Consent Calendar. Director Dornbrook seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: President 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, RCI

Manager Sharp stated that five Agenda topics are related to the Out Valley project at this meeting. Manager Sharp stated that the District is working with Howard Barnes, RUS Consultant, on a supplemental loan through RUS for \$8 million dollars. Howard Barnes has confirmed that RUS has adequate funding to meet our request and it may be approved in February with funds available this summer.

Manager Sharp presented the calendar through November 2013, Form 7 report. This report shows that with the infusion of property taxes the District is at a 1.04 tier ratio for the electric fund, however a 1.05 tier ratio is required. Once December numbers are finalized we will be able to determine if any property tax allocation is needed for December and if any of November's property tax can be re-allocated.

Michelle Gamble, RCI, reported that all construction activity has been completed for this season and all of the year end paperwork is being prepared for the contractors. Michelle Gamble stated that she will meet with the USFS Biology team to discuss the Spotted Owl LOP and also is working with PG&E on the clearances that Wilson Construction has requested for outages along the existing power line for construction activities in 2014.

Michelle Gamble reported that they have begun drafting the long term noxious weed plan that is part of the permanent special use permit with the USFS and PG&E.

Michelle Gamble reported that there are two remaining owner furnished material items that will go out to bid and these will go before the Board at the February meeting. We will also be going out to bid in February for the actual construction of the two Sub-stations and these will go before the Board at the March meeting. These are the last items that will be going out to bid.

Michelle Gamble provided the updated schedule that is being coordinated with PG&E and an updated cost estimate. A discussion ensued.

8B. AGENDA ITEM: Discussion and Possible Action Regarding Request for Change Order for Q&D Construction, in Relation to the District's Out Valley Power Line Project. Manager Sharp/Michelle Gamble, RCI

Manager Sharp stated that Q&D Construction has submitted a request for a change order for work completed in 2013. Most of the

change order is for Volcano Telephone conflicts. Other items included are the cost of the conduit under Hwy. 88, site condition costs and costs due to damaged cable that was found. The total request was for \$259,000, of this \$182,000 is the District's responsibility and was anticipated and is reflected in the cost forecast under Volcano Relocates. The balance has been/will be paid by the responsible parties.

Manager Sharp stated that District staff recommends approval and payment of the Q&D change order. A discussion ensued.

Director Richert motioned to approve the Request for Change Order for Q&D Construction in the amount of \$259,000, in relation to the District's Out Valley Power Line Project. Director Epstein seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: President O'Grady

ABSTAINING: None

8C. AGENDA ITEM:

Discussion and Possible Approval of Procurement Agreement for the KM Green Substation Project, Control Building, in Relation to the District's Out Valley Power Line Project. Manager Sharp/Dave Rightley, Exponential Engineering

Manager Sharp stated that on December 9, 2013 the District went out for bid proposals for the Control Building for the KM Green Substation. This is a pre-fabricated building approximately 27 feet long and 12 feet wide that will house the weather sensitive equipment. On January 6, 2014 the District held a bid opening with six respondents. The Engineer's estimate on this project is \$370,000. Manager Sharp presented a recommendation from Dave Rightley and Michelle Gamble and then introduced Dave Rightley who proceeded to discuss the proposal and his recommendation.

Dave Rightley reviewed the six bids that were received and stated that the adjusted bid amount that he believes meets the specifications and is the lowest price bid came from Electrical Power Products (EP2) and he recommends that the contract be awarded to EP2's second option for the KM Green Control Building for an adjusted amount of \$300,716. A discussion ensued.

Manager Sharp stated that based on the bids received and the Engineer's recommendation, District Staff recommends that the contract be awarded to EP2 in the amount of \$300,716.

Director Dornbrook motioned to approve the Procurement Agreement for the KM Green Substation Project, Control Building, in relation to the District's Out Valley Power Line Project to EP2's adjusted option in the amount of \$300,716. President Richert seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: President O'Grady

ABSTAINING: None

8D. AGENDA ITEM:

Discussion and Possible Action Regarding Request for Change Order for Engineering Services from Exponential Engineering. Manager Sharp/Dave Rightley, Exponential Engineering

Manager Sharp presented a request for change order for engineering services from Exponential Engineering. This change order request is in the amount of \$134,000 for additional costs incurred in 2013 and \$97,000 for anticipated additional costs in 2014. Manager Sharp reviewed the re-design and adjustments that have had to be made and the challenges that Exponential Engineering has faced since replacing Power Engineers in January 2013. Manager Sharp stated that the main disappointment is not with the work that has been completed but the timeliness of the request for a change order. To combat this Exponential will be holding budget review sessions with the project team on a regular basis, every two weeks, to insure that the District is informed of any overages in advance.

Manager Sharp noted that RCI will be taking on more of the inspection services needed for the project to help contain costs.

Manager Sharp stated that Staff would like to defer action on this topic until the full Board is in attendance at the February Board meeting. Manager Sharp introduced Tom Ghidossi, President of Exponential Engineering and Dave Rightley who proceeded to discuss this change order and take questions. A discussion ensued.

Manager Sharp stated that it has been discussed with the Operations/Capital Committee that a recap and in depth look at the financial forecast of the change orders be done to insure that we are inline.

Director Richert requested a comparison between what we had been estimating in terms of Power Engineers plus RCI versus what Exponential Engineering plus RCI is forecasting now through the end of the project. A discussion ensued with regards to the obvious

fact that this project is over budget, how the project got to this point and how to proceed going forward.

8E. AGENDA ITEM:

Presentation and Possible Action on Preliminary Investigation into the Operations, Maintenance and Material Inventory Needed Once the Out Valley Power Line is in Operation. Manager Sharp/Brandi Fichtner, Electric/Propane Manager

Manager Sharp stated that this request came from Director Richert and staff has been conducting research and has prepared a preliminary report.

Manager Fichtner reported that we have been speaking with Exponential Engineering on what we will need to do as far as the operations and maintenance once the Out Valley line goes into service. The O & M plan has been broken down into three parts. The first being what we will do with the Powerhouse to keep it operational in the case of an emergency, but reduce costs. Secondly, there will be some O & M that we can do in-house on the Out Valley lines as well as the Sub-stations. Third, there will be some O & M requirements that are above our expertise level and may require special training or hiring of a Journeyman Lineman. We plan to contract with an outside company to perform these services. Manager Fichtner shared the Powerhouse stand-by plan, In-house O & M plan, and the requirements that we will not be able to do in-house. A discussion ensued and concerns were voiced.

Manager Sharp added that once the Out Valley line is in we will be able to test Generators 3 through 8 with lift load, Exponential Engineering will be helping us with Generators 1 & 2 as well as help to develop a list of spare parts that we may need for the Out Valley project, and we will be providing staff with training. Staff has been working with PG&E to compile a contact list in the case of an emergency. A discussion ensued with regards to other small power entities, and Manager Sharp stated that we have been in touch with to include Plumas Sierra and Verde Energy.

8F. AGENDA ITEM:

Presentation and Possible Action Relating to the Survey of the District by the Insurance Services Office, the Resulting Public Protection Classification and the Compliance Financial Implications. Assistant Manager Ansel

Assistant Manager Ansel reported that in July 2013 a representative from ISO visited the District to inspect the Kirkwood Volunteer Fire Department (KVFD). The inspection information is used to evaluate KVFD and will assist the insurance company on underwriting our property insurance. Assistant Manager Ansel presented an overview of the ratings and how we can gain credits to improve our credit score and stated that the KVFD has held a Class 4 rating since 2005 and most recently received a Class 5, on a scale of 1 being the highest score and 10 being the lowest. Assistant Manager Ansel stated that in the next twelve months we will be working aggressively to gain some extra points and be reevaluated by ISO this summer

and hopefully regain our Class 4 rating. A discussion ensued and Director Richert stated that he would like be clear that the Board has directed the KVFD to not only set a goal of regaining a Class 4 rating but to also achieve this goal.

8G. AGENDA ITEM:

Presentation of the Final Financial Reconciliation, Operational Condition and Warranty Requirements of the Wastewater Treatment Plant Membrane Replacement Project. Manager Sharp/Matt Wheeler, District Engineer

Manager Sharp presented a memo from Matt Wheeler, District Engineer, summarizing the completion of the Wastewater Treatment Plant Membrane Replacement Project. The District replaced the existing Siemens membranes with a Koch membrane system. We have now put in 100% of the membranes and the Wastewater Treatment Plant can now handle a design flow of 120% of our ultimate build out. The project was completed on time with a 2% overage. Manager Sharp and the Board commended the Operations department on a job well done. A discussion ensued.

8H. AGENDA ITEM:

Discussion and Possible Action Regarding the District's Efforts to Secure Necessary Power Procurement, Scheduling and Settlement Services and Regulatory Affairs Coordination in Anticipation of Connecting to the National Power Grid. Manager Sharp

Manager Sharp stated that Power Purchase falls under four broad categories; the actual purchase of power, the scheduled coordinator settlement process, the regulatory affairs aspect and the power purchase marketing strategy. The District has gone out to bid for a power purchase provider and scheduling coordinator and bids have been received and are being evaluated by District staff. A formal presentation will be made to the Planning Committee and both providers have been interviewed and both Shell and TEA seem capable of providing the needed services.

Manager Sharp reported that NCPA is undergoing a restructuring in relation to new members and it could be late summer before NCPA could accept new members.

Manager Sharp stated that the RFP calls for a three year term which is the minimal length in the industry. The District is using Braun, Blaising, McLaughlin & Smith for regulatory affairs to date with favorable results.

Manager Sharp reported that District staff has had conference calls with PG&E and CAISO representatives to learn about our three way relationship with meter data and management, transmission charges, load shedding requirements, resource adequacy and needed agreements such as the small utility distribution operating agreement and the meter service agreement. A productive face to face meeting also took place with CAISO, Braun, Blaising, McLaughlin & Smith, Don Dame and District staff at the CAISO office

in Folsom, CA. Manager Sharp shared the list of items that came from this meeting. A discussion ensued.

8I. AGENDA ITEM:

Discussion and Possible Approval of Ordinance 13-04 Adopting Developer Agreement, Connection Permit and Related Procedures and Requirements for New Development and Construction Projects.

Manager Sharp

Manager Sharp stated that Ordinance 13-04 has been drafted to memorialize current District policies concerning the provision, extension and continuation of utility services and related facilities for new development and construction projects. Manager Sharp stated that the Development Agreement, Connection Permit and Plan Check Permit have previously been approved by the Board for form and content. The Draft Ordinance was presented to the Board for review at the November 9th meeting and pursuant to Board direction the Ordinance and related forms were distributed to stakeholders and independent Contractors in the Valley for comments. Comments were received back and a fee schedule has been instituted as directed by the Board.

Manager Sharp presented Ordinance 13-04 along with a schedule of fees and stated that it is Staff's recommendation that the Board approve and enact Ordinance 13-04.

Director Epstein brought to the Board's attention that this Ordinance should be retitled to be Ordinance 14-01.

Director Richert motioned to approve Ordinance 14-01 adopting the Developer Agreement, Connection Permit and Related Procedures and Requirements for New Development and Construction Projects. Director Dornbrook seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: President O'Grady

ABSTAINING: None

8J. AGENDA ITEM:

Presentation and Possible Approval of Computer Services Contract with Wired Solutions and Transfer to Alternate Hosted Email Service. Manager Sharp/Assistant Manager Campbell

Manager Sharp presented the Agreement with Wired Solutions regarding providing IT services for the District. District staff has met with representatives from Wired Solutions several times and they have already begun providing assistance on a time and material basis. The cost of this service is \$3,000 a month and allows for up to twenty-five hours per month off-site services. If after time the

District is not utilizing the service up to the twenty-five hour mark we would then request that Wired Solutions lower their price and the number of hours allowed. Manager Sharp stated that the District now needs to negotiate an acceptable term for both parties.

Additionally, Manager Sharp presented a break down of research that the Staff has compiled for hosted email service. The District is looking at alternatives to Volcano service that is now being used.

Manager Sharp stated that Staff is looking for Board approval to enter into a contract with Wired Solutions based on a modified agreement acceptable to District Counsel and to move to the Office 365 Business premium. A discussion ensued.

Director Epstein motioned to approve the Computer Services Contract with Wired Solutions and transfer to an alternate hosted email service. Director Richert seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: President O'Grady

ABSTAINING: None

9. MANAGER REPORTS:

a. General Manager Report. *Manager Sharp*

Manager Sharp presented a list of potential capital projects for the 2014 construction season and stated that these projects will be incorporated in the five year capital plan for the inclusion into the 2014-15 Budget.

Manager Sharp stated that due to the lack of snow, District Staff is working with Director Epstein to formulate an expense reduction plan. This plan will be formulated in stages and implemented if snow does not reach us by a certain targeted date. Director Epstein commented that we are taking prudent action now and recommends that at the February Board meeting, if the snow conditions have not improved, that we consider what the forecasts look like and how to manage it. A discussion ensued.

b. Operations Report. *Assistant Manager Ansel*

Assistant Manager Ansel reported on the District's response letter to the California Department of Public Health addressing the inspection that took place on October 11, 2013.

c. Electric/Propane Systems. Manager Fichtner

Manager Fichtner presented an update on the switchgear and air compressor maintenance at the Powerhouse and reported that staff has performed a second propane patrol which is a CPUC requirement.

Manager Fichtner reported that we have received the programmed Power Quality Meters from Exponential Engineering and plan to install one at each circuit; the Lower Shop for residential, at The Meadows for commercial and at Chair 7 for the Lifts. A discussion ensued.

d. Administrative Report. Assistant Manager Campbell

Assistant Manager Campbell presented the Consolidated Balance Sheet, stating that these are the financials that were received at the Rate Study Workshop, the Income Statement for each department and the Cash Waterfall. A discussion ensued.

Assistant Manager Campbell reported that an RFP for the 2014-15 fiscal year Audit has gone out to six new firms as well as AKT, our present Auditor.

Assistant Manager Campbell reported that an error was caught when sending out our December bills. We found 106 November statements that were not mailed out to customers. A letter has been sent out to each affected customer and any penalty charges that were assessed were reversed and a meeting with staff was held. A discussion ensued.

10. COMMITTEE REPORTS:

a. Communications. Bob Epstein

Director Epstein reported that the major activity has been the reimplementation of customer bill presentation as well as the online meter data. The next steps will be to implement One Call Alert system and more actively monitoring the meters.

Director Epstein mentioned that a Mello Roos notification letter will be sent out to every property tax payer to proactively communicate to them what has taken place.

b. Planning. Bob Ende

Director Ende stated that the Planning Committee will meet on January 14th and a major focus will be on finalizing the Mello Roos restructure, the Power Purchase topic and re-energizing the Employee Housing topic.

c. Finance. Standish O'Grady

Director Epstein reported that financially the District is in solid shape. The major topics coming up are the follow up from

the Rate Study Workshop and modeling a revenue contingency plan.

Director Epstein stated that there has been a discussion regarding penalties and interest policies and the Finance Committee feels this should be left up to the General Manager to make adjustments as he feels necessary.

- d. Operations/Capital Projects. Peter Dornbrook
Director Dornbrook reported that the Operations and Capital Projects Committees have been combined. It was mentioned that there are a few new Volunteers that have joined the KVFD and there are always openings if anyone is interested in joining.
- e. Capital Projects. Peter Dornbrook
The Capital Projects Committee has been combined with the Operations Committee.
- f. Personnel. Eric Richert
Director Richert stated that the Personnel Committee will be meeting on January 24th and will be reviewing the first two quarters of Goals and discussing CalPERS issues.

11. GENERAL DISCUSSION:

Cheryl Stern announced that with 2014 being an election year she has invited all the candidates that are running for office in both Alpine County and Amador County to a meet and greet that will be held in the Red Cliff's Club on February 8th from 2:00 pm to 5:00 pm.

12. ADJOURNMENT:

The meeting was adjourned at 10:10 a.m.


Secretary ms

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