

MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, May 10, 2014
AT THE HOUR OF 8:00 A.M.

CALL TO ORDER: The meeting was called to order by President O'Grady 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 following the appropriate link. If the public would like to make a comment they may send an email to msharp@kmpud.com and the Board will respond. Manager Sharp stated that Directors Ende and Richert 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 O'Grady, Directors Epstein and Dornbrook
Via Teleconference: Directors Ende and Richert, Dave Rightley (Exponential Engineering), Don Dame (Power Purchase Consultant), Nancy Trevett (Community Resident)
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), Michelle Gamble (RCI), Nate Whaley (KCP), Peter Forsch (KCP), Melene Smith, and Allan Sapp (Community Residents), and Terry Woodrow (Alpine County Supervisor)

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 roll call vote:

AYES: President O'Grady, Directors Richert, 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 Out Valley construction update stating that on May 19th every aspect of this project will be under construction. Negotiations with PG&E continue on the clearances with the first clearances scheduled in June. A site visit was discussed to be scheduled after the July 6th Board meeting.

8B. AGENDA ITEM: Continued Discussion and Possible Action Regarding the Current PG&E Cost Estimate and Impacts to the Overall Finances and Draw Down Schedule in Relation to the District's Out Valley Power Line Project. Manager Sharp/Michelle Gamble, RCI

Lead: Finance Committee

Manager Sharp presented an update on the current PG&E cost estimates and stated that two letters have gone out to PG&E stating our position and a meeting with PG&E officials has been set for May 29th. President O'Grady and Director Epstein will attend as will Michelle Gamble and Manager Sharp. Director Epstein stated that contact has been made with officials from PG&E and also with the President of the CPUC. A discussion ensued.

Manager Sharp presented the updated Out Valley cost estimate stating that the only change is the \$42,000 increase from the change order approved at the April 12th Board meeting.

Manager Sharp stated that the Finance Committee has been working with Staff, led by Allan Sapp, on the draw down schedule for the remaining funds approved A8 RUS Loan. Manager Sharp presented an update on the B8 RUS Supplemental Loan stating that we anticipate that these funds will be available by August 2014.

8C. AGENDA ITEM: Discussion and Possible Approval of Resolution 14-13 to Request Rural Utilities Service (RUS) Budget Purpose Transfer Request to Authorize Additional Loan Funds in Budget Purpose 2-Transmission, from Budget Purpose 1-Distribution, in the Amount of \$4,504,883.91. Manager Sharp

Manager Sharp stated that the District's A8 RUS loan has \$11 million dollars remaining and is divided into several budget categories. Resolution 14-13 is requesting to move \$4.5 million dollars of these funds into a category for transmission. This is an administrative transaction moving already approved funds from one bucket to another. Manager Sharp stated that Staff recommends approval of this budget transfer.

Director Dornbrook motioned to approve Resolution 14-13. Director Epstein seconded the motion, and it carried by the following roll call vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8D. AGENDA ITEM: Discussion and Possible Approval of Change Order from Wilson Construction Related to the Procurement of Ladders, Totaling \$60,000, for the Overhead Line Poles. Manager Sharp/Michelle Gamble, RCI

Michelle Gamble explained that PG&E's design standards indicated that all Ladders would be furnished by PG&E. On February 3rd we were informed by PG&E that they had not included the Ladders in their cost estimate and would not be supplying the Ladders. On April 7th we received PG&E's calculation of the need for 428 Ladders at a cost of \$90,000. Exponential Engineering has calculated the need for 768 Ladders and has reached out to Wilson Construction to get a quote on a change order which has now been calculated at \$112,180.00. Michelle Gamble stated her projected PG&E cost for the same amount of Ladders she has estimated to be about \$136,000. A discussion ensued.

Manager Sharp stated that staff recommends approval of Change Order #4 with regards to the procurement of Ladders through Wilson Construction in the amount of \$112,180.00.

President O'Grady motioned to approve Change Order #4 from Wilson Construction related to the procurement of Ladders, totaling \$112,180.00. Director Dornbrook seconded the motion, and it carried by the following roll call vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8E. AGENDA ITEM: Continued 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

Lead: Planning Committee

Manager Sharp stated that this subject deals with the purchase of

power off of the national grid once the Out Valley project is complete and stated that we have made a lot of progress and proceeded to present the timeline being followed and accomplishments achieved to date.

Manager Fichtner presented a Power Point presentation that highlighted the energy hedge recommendations from Don Dame and the staff investigation into the historic day ahead market prices from CAISO. Manager Fichtner began with some background and terminology explanations to include the Day Ahead Market, the Real Time Market, Hedging, On Peak and Off Peak periods in terms of CAISO's language and the seven day Load Forecast that staff is producing. Manager Fichtner shared that we are proposing, as our hedging approach, 85% on peak, 50% off peak and showed what a typical day would look like. Don Dame addressed questions and a discussion ensued.

Manager Fichtner stated that staff is recommending we proceed with 85% on peak, 50% off peak hedge and that the General Manager would be authorized to proceed, in consultation with the Board President, to execute the Confirmation Agreement. The prices will be adjusted by Shell based on market conditions. Manager Fichtner stated that we will continue to monitor the Out Valley project, potentially looking at hedging or adding additional hedges as we move forward. A discussion ensued.

8F. AGENDA ITEM:

Discussion and Possible Approval of Resolution 14-11 Approving the Confirmation Agreement, as Governed by the Master Purchase Power and Sale Agreement, Between Shell Energy North America and the Kirkwood Meadows Public Utility District. Manager Sharp/Robert Pierce, Shell Energy/Don Dame, District Energy Advisor

Lead: Planning Committee

This Agenda Item was previously discussed with Agenda Item 8E.

Director Ende motioned to approve Resolution 14-11 approving the Confirmation Agreement, as governed by the Master Purchase Power and Sale Agreement, between Shell Energy North America and the Kirkwood Meadows Public Utility District. President O'Grady seconded the motion and it carried by the following roll call vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8G. AGENDA ITEM:

Public Hearing: Public Hearing to Take Public Input and Discuss the Proposed Adjustment of Water, Sewer, Electric and Propane Connection Fee Charges.

Lead: Finance Committee

Manager Sharp stated that the District has three decisions today. The approval of an updated Capital Plan, the Revised Connection Fees to support that plan and the approval of the Fire Impact Fee in Amador County to also support the Capital Plan. The Planning Committee has looked at the long term needs of the District and how we are meeting our current needs and the needs we will have at build out. The Capital Plan has been reviewed by the Finance, Operations/Capital and Planning Committees. Manager Sharp presented a review of the proposed connection fee charges.

Director Richert explained an alternate approach for the electric component of the proposed connection fee charges and suggested that the proposed connection fee charges would remain as is for 2015 and his alternate approach would become effective in 2016. A discussion ensued.

The Public Hearing for both Agenda Item 8G: Public Hearing to Take Public Input and Discuss the Proposed Adjustment of Water, Sewer, Electric and Propane Connection Fee Charges and Agenda Item 8H: Public Hearing to Take Public Input and Discuss the Proposed Increase of Fire Facilities Development Fee for the Amador County Portion of the District, was opened at 9:36 a.m.

Melene Smith voiced her support for Director Richert's recommendation of an alternate approach.

Nate Whaley, KCP, voiced his concerns with regards to the proposed fees, and asked for explanations.

Allan Sapp voiced his thoughts with regards to Director Richert's alternate approach.

The Public Hearing was closed at 9:47 a.m.

Manager Sharp stated that considering the much needed update it is staff's recommendation that the revised Capital Plan, with the caveat that it be brought back on an annual basis and updated, be approved. Secondly, Staff recommends approval of the connection fees as originally presented, and to continue to research other methods. Staff recommends the increase in the Fire Impact Fee for the Amador County portion of the District be approved as presented.

Director Richert addressed two comments that came up in the Operations/Capital Committee meeting and Director Dornbrook stated that in general the Operations/Capital Committee recommended approval of the Capital Plan.

Director Richert asked President O'Grady for his thoughts/clarification with regards to the sewer connection fee and the Mello Roos. President O'Grady presented his understanding and Manager Sharp shared the history involved with the creation of the Mello Roos and reiterated how the Mello Roos was formed. A discussion ensued.

8H. AGENDA ITEM: Public Hearing: Public Hearing to Take Public Input and Discuss the Proposed Increase of Fire Facilities Development Fee for the Amador County Portion of the District. Manager Sharp

Lead: Finance Committee

This Public Hearing was combined with Agenda Item 8G: Public Hearing to Take Public Input and Discuss the Proposed Adjustment of Water, Sewer, Electric and Propane Connection Fee Charges, and was opened at 9:36 a.m. and closed at 9:47 a.m.

8I. AGENDA ITEM: Continued Review and Possible Approval of Resolution 14-12 Approving the Revision of the Kirkwood Meadows Public Utility District's Capital Plan. Manager Sharp

This Agenda Item was previously discussed.

Director Dornbrook motioned to approve Resolution 14-12 approving the revision of the Kirkwood Meadows Public Utility District's Capital Plan provided that it be updated annually. Director Epstein seconded the motion and it carried by the following roll call vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8J. AGENDA ITEM: Discussion and Possible Approval of Ordinance 14-02 Adjusting District Water, Sewer, Electric and Propane Connection Fees. Manager Sharp

Lead: Finance Committee

Manager Sharp stated that it is Staff's recommendation to approve Ordinance 14-02, to approve the connection fees as presented with the caveat that staff will look into a method of calculating the electric fee and bring it back to the Board in six months.

Director Richert motioned to approve Ordinance 14-02 adjusting District Water, Sewer, Electric and Propane Connection Fees with Manager Sharp's recommendation. President O'Grady seconded the motion and it carried by the following roll call vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8K. AGENDA ITEM: Discussion and Possible Approval of Resolution 14-10 Increasing Fire Facilities Development Fee for the Amador County Portion of the District. Manager Sharp

Lead: Finance Committee

President O'Grady motioned to approve Resolution 14-10 increasing the Fire Facilities Development Fee for the Amador County portion of the District. Director Ende seconded the motion and it carried by the following roll call vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8L. AGENDA ITEM: 2014-2015 Budget Planning and Formulation, Presentation of Revised Overall Budget, with Balance Sheet and Five Year Cash Waterfall. Assistant Manager, Administration, Campbell

Lead: Finance Committee

Manager Sharp presented the budget planning timeline stating that this is the third presentation of the 2014-2015 Budget and plans to present the final Budget at the next Board meeting on June 14th. Manager Sharp addressed key assumptions noting that November 1st is being used as the Out Valley completion date.

Manager Sharp stated that should the Board concur, we would ask President O'Grady to call for a Public Hearing to consider the electric rate increase and the propane rate decrease, as is forecasted, so that we are able to enact the change on July 1, 2014.

Assistant Manager Campbell presented the updated Balance Sheet and the 2015 Income Statement that now has individual five year summaries for all departments. Once input is received from the Board the five year final balance sheet and cash waterfall will be completed.

Director Epstein commended Assistant Manager Campbell and Staff on the quality of this budget. A discussion ensued.

President O'Grady called for a Public Hearing on June 14, 2014 to consider the electric rate increase of 3.5% and the propane rate decrease of 8.5%.

8M. AGENDA ITEM:

Presentation of Current Plans and Preparation for the Annual KVFD Wine Tasting/BBQ. Manager Sharp/Assistant Manager, Operations, Ansel

Lead: Wine Tasting Committee

Assistant Manager Ansel stated that the main purpose for the event this year is to purchase a Chipper, with a goal to raise \$20,000. The KVFD Wine Tasting/Barbeque will be held on July 5th from 3:30 p.m. to 6:00 p.m. at the KMR Plaza. A Registration/Donation Form was included in the last billing that went out and it has also been placed on the website. Letters to request donations have gone out to the HOA's and select homeowners and vendors. Assistant Manager Ansel thanked the KVFD Wine Tasting/Barbeque Committee for all the hard work that they have put into this event.

Assistant Manager Ansel reported that the ECHO/Vail program has donated \$10,000 to this event. The District will work with Vail's F&B department on this year's menu and preparation.

Assistant Manager Ansel presented a full list of the donations, vendors and plans that are being made for the event.

9. MANAGER REPORTS:

a. General Manager Report. Manager Sharp

Manager Sharp presented an updated Action Item list from April 12th and will present these going forward.

Manager Sharp reported that with regards to the Water Stage Alert, ACWA is urging members to take action and will bring this back to the June 14th meeting and recommend to the Board that a Stage 2 Water Alert be implemented.

Manager Sharp reported that the District is the trustee of two funds to stock fish in both Silver Lake and Caples Lake and this will take place prior to the July 4th holiday and Labor Day holiday.

Manager Sharp reminded the Board and Management of the dates that Ethics Training is due.

Manager Sharp stated that there has been a request to move two Board Meeting dates. It was decided that the June meeting not be changed and that the November 8th meeting be rescheduled to November 1st.

b. Operations Report. Assistant Manager Ansel

Assistant Manager Ansel reported on the Loop Road project and stated that Staff is outlining the time schedule and will begin

ordering materials for the project.

Assistant Manager Ansel reported that Derek Dornbrook has passed his D2 Exam as requested by the California Department of Public Health.

Assistant Manager Ansel reported that the AMI Remote Water Meter project is in full swing, the plasma cutter has been being put to use, and we anticipate completion of this project by July 1st.

c. Electric/Propane Systems. Electric/Propane Manager Fichtner

Manager Fichtner stated that we are still working with PowerSecure on a firm date for the replacement of Generator #7 and it is the only Generator down at this time.

Manager Fichtner presented the results of the Great Basin Emissions Test that was completed on April 23-24th.

d. Administrative Report. Assistant Manager Campbell

Assistant Manager Campbell presented the Performance Reports and discussed the March Financials.

Assistant Manager Campbell reported that we have retained Moss Adams as our new Auditors. They will be onsite the week of June 9th to conduct a pre-audit and to meet with the Finance Committee and will return in August to complete the audit.

10. COMMITTEE REPORTS:

a. Communications. Bob Epstein

Director Epstein stated that the Communications Committee has not met since the last meeting.

b. Planning. Bob Ende

Director Ende presented a Water Rights update with regards to the preliminary meeting that was held with the California Water Board to discuss perfecting our claim to Caples Lake water.

Director Ende reported that work continues on the Meadow Trail to establish a "demonstration" trail that will be open during the KVFD Barbeque and the Committee is working on a survey.

Director Ende announced that Sid Long has resigned from the Planning Committee and Nancy Trevett has submitted her letter of interest and qualifications for consideration to fill this seat. The Planning Committee has unanimously approved her as a candidate for this position and her appointment is now before the Board for approval.

Director Dornbrook moved to accept Nancy Trevett's volunteer efforts. President O'Grady seconded the motion and it carried by the following roll call vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

c. Finance. Bob Epstein

Director Epstein stated that all topics have been previously covered.

d. Operations/Capital Projects. Peter Dornbrook

Director Dornbrook reported that we have conducted a preliminary study on the LED lights that have been installed in the KMPUD Community Services Building and the study shows that we have been paid back in the first nine months of operation.

e. Personnel. Standish O'Grady

President O'Grady stated that the Personnel Committee has not met since the last meeting.

11. GENERAL DISCUSSION:

Manager Sharp acknowledged and commended the Kirkwood Meadows PUD Electrical/Operations departments for three years of reliable service, stating that the power did not go out once during lift operations during this timeframe.

12. ADJOURNMENT: The meeting was adjourned at 11:10 am.


Secretary

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