

MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, OCTOBER 11, 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.

MEMBERS PRESENT: Present: President O'Grady, Directors Epstein, Ende, Dornbrook and Richert
Also present: General Manager Sharp, Rick Ansel (Assistant Manager, Operations), Jill Campbell (Assistant Manager, Administration), Dave Rightley (Exponential Engineering), Howard Barnes (RUS Consultant), Cheryl Stern, Mark Fraga and Nancy Trevett, (Community Residents)

MEMBERS ABSENT: None

ORAL COMMUNICATION
/PUBLIC INPUT:

Nancy Trevett requested that Shut off Notices, listed under the Consent Calendar, be addressed as to what impact, if any, these have on the rates. Manager Sharp stated that this will be commented on during the Administration report.

CORRECTIONS TO THE AGENDA

OR CONSENT CALENDAR: Manager Sharp stated that Staff requests that we address the Board Agenda Items #8D-8F first and then resume the Agenda in the normal order.

ADOPTION OF THE CONSENT CALENDAR:

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

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

NOES: None

ABSENT: None

ABSTAINING: None

CONSENT ITEMS BROUGHT FORWARD FOR SEPARATE DISCUSSION/ACTION: None

8D. AGENDA ITEM: **PUBLIC HEARING:** Public Hearing to Take Public Input and

Discuss the Impact of the Out Valley Project Completion to the District's Electric Rates and the Need for a Change in the Structure of the Rates. Discussion of a Potential Electric Rate Increase as Called for in the Approved 2014-2015 Financial Forecast. *Manager Sharp*

Lead: Finance Committee

Manager Sharp stated that in the change in the source of electric power from the Powerhouse to Out Valley the need to change the structure of our rates comes into play. The Out Valley project will impact the electric rates to include the elimination of the fuel adjustment charge, reduced Powerhouse operation and maintenance expenses. We will add in a power purchase expense from Shell Energy, increase our debt service expense, and include Out Valley operations and maintenance into our rates.

The Finance Committee requested that Howard Barnes, RUS Consultant, update our electrical financial forecast that was originally completed in support of the A8 Loan. This forecast was then updated in support of the B8 Loan and now is being updated based on actual results over the last two years, with updated assumptions. Howard Barnes presented a Power Point presentation. A discussion ensued.

8E. AGENDA ITEM:

Discussion and Possible Approval of Ordinance 14-06 Adjusting District Electric Service Charges and Method of Calculation. *Manager Sharp*

Lead: Finance Committee

Manager Sharp presented Ordinance 14-06 that would change the calculation/methodology of electric rates by eliminating the fuel surcharge and establishing rates to allow for power purchase. Ordinance 14-06 would increase debt service, operations and maintenance on the Powerhouse and increased operations and maintenance on the Out Valley project. Additionally the 2014-2015 Budget calls for a 4.6% rate increase on the variable portion of the electric rates effective November 1, 2014.

Manager Sharp stated that the current usage rate would increase however the fuel adjustment charge would be eliminated. The forecast shows declining rates annually each year thereafter.

Manager Sharp stated that Staff recommends an increase in rates at this time per our Budget study and adjusting them to the rates reflected. A discussion ensued.

Director Epstein proposed that we look at this every month and conduct an analysis to reduce rates as soon as possible. A discussion ensued.

8F. AGENDA ITEM:

Discussion and Possible Approval of Ordinance 14-05 Amending Rules Concerning Interconnection of Distributed Electric Sources and Net Energy Metering. This Ordinance Modifies the Way the

District Calculates Avoided Cost, Eliminating Diesel Cost and Adding in Purchased Power. *Manager Sharp/Manager Fichtner*

Lead: Finance Committee

Manager Sharp presented Ordinance 14-05, which introduces a change in the Net Metering and the way that we calculate what we pay to solar energy net metering customers that generate more energy than they consume. This will need to be re-calculated with the change in the Out Valley. There will be a change to Net-Metering customers with the change from an all diesel generation where the voided cost is diesel over to a power purchase where the voided cost is power purchase and operations & maintenance on the Powerhouse. A discussion ensued.

Director Epstein noted that the calculation will be done at the end of the year based on the actual costs rather than the beginning of the year. For billing purposes Director Epstein suggested that we would have the ability to include an estimate of the anticipated net meter excess rate and the actual one. A discussion ensued.

Manager Sharp commented on our delinquency rate/receivables stating that he does not feel that this is a factor and Jill Campbell stated that this is less than 1%. Director Epstein also shared his calculations on this issue.

The **Public Hearing** was opened at 8:52 a.m. to take Public input on both of the two Ordinances presented and to discuss the impact of the Out Valley Project completion has on the District's electric rates and the need for a change in the structure of the rates and net metering calculations.

Nancy Trevett commented that she appreciates the District's purchase of assets from Mountain Utilities and undertaking the Out Valley project and achieving the project on time and on budget, however encouraged the District to reduce rates earlier than planned.

Mark Fraga questioned if there is excess revenue from the utility rates, and if so, has a feasibility study or analysis been done. Mr. Fraga stated that this would save us money in the long run to apply that to debt reduction. Director Epstein addressed this question and stated that Mr. Fraga's thinking is accurate.

The **Public Hearing** was closed at 8:55 am.

Director Epstein motioned to approve Ordinance 14-06 adjusting District electric service charges and method of calculation. Director Richert seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

Director Richert motioned to approve Ordinance 14-05 amending rules concerning Interconnection of Distributed Electric Sources and Net Energy Metering. This Ordinance modifies the way the District calculates avoided cost, eliminating diesel cost and adding in purchased power. Director Epstein seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8A. AGENDA ITEM:

Discussion and Possible Action Regarding the Timeline, Costs and Construction Activities Associated with the Out Valley Power Line Project. *Manager Sharp*

i. Overall Construction Update and Risks

Manager Sharp reported that the Underground construction is basically complete including the striping and paving of Highway 88. Grindings have been put down on the VIP Lot, Lower 7 and Cross Country Center as a thank you to Vail for supplying us with a staging center. Amador County has signed off on the work done on Bear River Road and our three year warranty has begun. Warning ID Stickers and Snow Pole Markers for the sectionalizing cabinets still need to be placed. Bollards will be done by District Staff for substantial cost savings.

Manager Sharp stated that we are starting the completion of the final inspection of the Overhead line. PG&E has confirmed the test results of the CT Breaker that was replaced. PG&E will energize that breaker at KM Green on 10/13. On 10/14 and 10/15 Tri Mark and CALISO will be testing and certifying our meter and verifying communications to CALISO. Emerson (Electrical Testing Company) and Exponential Engineering (EEC) will be doing the functional test on the end to end (KM Green to KM Blue) testing for relays, and on 10/17 we will do a test energization of the 34.5 kV line. PG&E will begin their end to end testing on 10/14. Manager Sharp reported that the final inspection of the Substation is scheduled for 10/22. 10/21-10/31 is set aside for testing and commissioning.

Dave Rightley, Exponential Engineering, stated that he has been working with Emerson and District staff on all phases of the project and presented a thorough overview. President O'Grady questioned

the Out Valley telecommunications system. A discussion ensued.

Manager Sharp reported on the T1 Communication Line that connects KM Green to Stockton, required by PG&E to complete end to end testing, stating that it has been installed, however, due to an error it was placed in the wrong channel in Stockton. We are waiting for this to be moved to the correct channel for the order that was originally placed in April. Dave Rightley, EEC and Staff have been working on resolving this.

Manager Sharp reported on the other potential risks to include the end to end test that PG&E will conduct on 10/14, the energization of the 34.5 kV, the revised Interconnection Agreement needs to be signed and the CALISO metering certification that is scheduled for next week.

ii. Out Valley Operations and Maintenance and Transportation Investigation

Manager Sharp reported that Alpine County has gifted a Ford Expedition to the District to be used as our Out Valley vehicle.

Manager Sharp presented a long list of O&M items that need to be/or are being addressed to include installing Omni Balls and locks on all of our sectionalizing cabinets. RCI has programmed a GPS to locate these and training is being conducted. We have purchased a satellite phone and have been testing it. The District is responsible for the maintenance of three roads on USFS property to access our equipment which are protected by two gates that only District Staff & USFS will have access to. Warning stickers are being placed inside the sectionalizing cabinets. Signs need to be installed and a Snow blower needs to be placed at KM Green. Transportation to get to KM Green is still being discussed. A discussion ensued.

iii. Project Close Out

Manager Sharp stated that we are in the punch list phase of the Project Close Out and the final acceptance documents will be prepared for approval at the December 12th Board meeting.

iv. Celebration Plans

Manager Sharp conveyed that a Celebration party is planned for December 12th at the Wall Bar from 6:00 – 9:00 p.m. and shared the outline for the evening. The Special Board meeting will begin at 1:00 p.m. that day.

v. Potential Press Release

Manager Sharp stated that we have received requests to put out a Press Release and staff will work with the Board on this.

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

i. Current Status PG&E Negotiations/Possible Directions to Comply with Transmission Interconnection Handbook

Manager Sharp stated that the Ad Hoc Committee and District Staff have been working with PG&E to revise the Interconnection Agreement (IA) to provide for the 115kV ownership change over to the District. PG&E will continue to own and operate the 12 kV line. We have a 4 year timeframe to comply with the Transmission Interconnection Handbook (TIH). The District will assume liability for operation of the 115 kV during this period. PG& E has required that we have a form of our own fault protection which will entail the installation of a potential Switch Station at the point of demarcation. Team meetings for this project will begin on October 21st. A discussion ensued.

ii. Overall Project Costs and Potential Risks

Manager Sharp presented the current construction cost estimates and the Out Valley expense tracking that shows how much is owed to each contractor at this point and that this ties into our forecast and our RUS expense tracking.

Manager Sharp presented the potential risks to include the Substation costs that have not been settled, financial reconciliation for the Underground is still left to be done, ITCC cost is being anticipated at 34%, RCI costs are being finalized and we will have additional EEC costs. A discussion ensued.

iii. B8 Draw Down Schedule

Manager Sharp reported that we have \$2.75 million left to be drawn which is anticipated to be drawn within the next two weeks. This has resulted in a 3% interest rate.

iv. Powerhouse Useful Life Study Update/Application to RUS

Manager Sharp stated that Dave Rightley has finalized the Powerhouse Useful Life Study and it has been sent to RUS for their consideration.

8C. AGENDA ITEM:

Discussion and Possible Approval of Resolution 14-23 Approving the Electric Transmission Line Permit (Long Term Special Use Permit) from the United States Department of Agriculture, Forest Service to the Kirkwood Meadows Public Utility District and Authorization for the Board President to Sign the Permit. Manager Sharp

Manager Sharp presented the Special Use Permit from the USFS stating that part of this permit is the long term operations and maintenance plan that details our relationship and permitted activities in the forest.

Manager Sharp stated that District Staff recommends approval of Resolution 14-23 allowing President O'Grady to sign the Long Term

Special Use Permit with the USFS. A discussion ensued. Director Richert requested that Manager Sharp consult with Dick Shanahan as to what our liability would be in the case of a fire caused by our power line.

Director Ende motioned to approve Resolution 14-23 approving the Electric Transmission Line Permit (Long Term Special Use Permit) from the United States Department of Agriculture, Forest Service to the Kirkwood Meadows Public Utility District and authorization for the Board President to sign the Permit. Director Dornbrook seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8G. AGENDA ITEM: Discussion and Possible Action Regarding the District's Snow Removal Services Operation:

i. Valley Wide Residential Service

Lead: Planning Committee

Manager Sharp presented a timeline and the steps to complete the studies to move the District's Snow Removal Services Operation forward. We are currently taking the measurements of all the common and snow removal areas and compiling data that will be tied into APN numbers to produce a service area map. With the help of Director Epstein this data will be stored in a report server so changes can be easily made and tied into the billing software. This will help to determine the rate schedule for the service charge study. Dick Shanahan is currently producing the Rules Resolution. This information will be presented to the Planning and Finance Committees and then to the Board at the next two meetings for a potential Public Hearing in January. A discussion ensued.

8H. AGENDA ITEM: Discussion and Possible Approval of Resolution 14-21 Approving Revisions to the Employee Manual Including a Change to the Housing/Utility Credits Policy. Manager Sharp

Lead: Personnel Committee

Manager Sharp stated that the current District policy calls for a housing credit of \$200 and a utility credit of \$200 monthly for employees who live in the Valley and are considered critical to the operation by the General Manager. Staff has been working with the Personnel Committee to simplify this policy and to credit a straight \$400 per month for critical employees who live in the Valley. Staff recommends this streamlined approach and recommends approval of Resolution 14-21. President O'Grady stated that the Personnel Committee also recommends approval.

Director Richert motioned to approve Resolution 14-21 approving revisions to the Employee Manual including a change to the Housing/Utility Credits Policy. Director Epstein seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8I. AGENDA ITEM: Update on Project to Pursue Caples Lake Water Rights with the State Water Board. Manager Sharp

Lead: Planning Committee

Manager Sharp stated that the kick off meeting was in mid-September with Nick Bonsignore, Water Rights Engineer, JoAnn Michael, Environmental Specialist, Dick Shanahan, General Counsel and Matt Wheeler, Water Engineer being the team selected. Manager Sharp presented a timeline and process for the project that was compiled by Nick Bonsignore and JoAnn Michael. Staff will be putting together a Project Description and the goal is to have the application to the state by the end of January 2015. A discussion ensued.

9. MANAGER REPORTS:

a. General Manager Report. Manager Sharp

Manager Sharp reported that our Aquifer level is at 131 feet.

Manager Sharp reported that the construction notice has gone out which limits excavation of any District facility by contractors after October 15th.

Manager Sharp reported that Timber Ridge Condominiums have taken out the pavers on the back side of the building and will be installing asphalt to aide in snow removal and we have signed an agreement with them to do their snow removal services.

Manager Sharp stated that we have received all but two Snow Removal Contracts for the entire valley.

b. Operations Report. Assistant Manager Ansel

Manager Sharp stated that we are hiring one person for the Fire Department to work Friday, Saturday & Sunday during the winter season. A discussion ensued and President O'Grady requested that the Personnel Committee meet to discuss this.

Manager Sharp reported that we have completed the chipping on thirty properties, with about thirty more to do.

Manager Sharp reported that we will be doing a recovery clean on the Wastewater Treatment Plant membranes next week.

Manager Sharp stated that we are working on our absorption beds to be able to monitor them remotely.

Manager Sharp stated that snow stakes are going up, playground has been put away for the winter and all capital projects have been curtailed until the spring.

Manager Sharp reported that the Remote Water Meter project is coming to an end with about 30 meters left to change out. A discussion ensued.

c. Electric/Propane Systems. Electric/Propane Manager Fichtner
Manager Fichtner presented a Powerhouse update stating that the Cat and Volvo warranty repairs have been completed. A PowerSecure Sub-Contractor will be onsite next week to adjust the remaining warranty issues on the Volvos.

Manager Fichtner reported a Programmable Logic Control communication issue the week of September 26th that resulted in a series of power outages.

Manager Fichtner reported that we are working with Great Basin on transferring our Operations Permit to an Emergency Only Permit.

d. Administrative Report. Assistant Manager Campbell

i. Performance Reporting

Assistant Manager Campbell presented the Performance Reports for August.

ii. August Financials

Assistant Manager Campbell presented the Balance Sheet, Income Statement and Operating Cash Waterfall. A discussion ensued.

iii. Audit Update

Assistant Manager Campbell stated that an Audit update will be addressed during the Finance Committee update.

10. COMMITTEE REPORTS:

a. Communications. Bob Epstein

Director Epstein reported that the Communications Committee met this week and stated that due to the November 1st Go Live date coming up that the Newsletter will be dedicated to providing a history timeline that Cheryl Stern will work on.

Director Epstein stated that the Committee has received a request to look at how information is posted on the website related to

meetings, and to document what we post and what does not get posted and the rationale behind it. This will be addressed in the near future.

b. Planning. Bob Ende

Director Ende stated that the Planning Committee met this week and most of the topics have been covered, however touched on future topics that will be discussed.

c. Finance. Bob Epstein

Director Epstein stated that the Committee has met with the Auditors who presented a draft Audit for the 2013-2014 Fiscal year. A final statement will be ready by October 28th and will first be presented to the Finance Committee and if approved will be brought before the Board at the November 8th meeting. Director Epstein presented a summary of the findings. A discussion ensued.

d. Operations/Capital Projects. Peter Dornbrook

Director Dornbrook stated that most of the issues have been previously discussed, however commented on the Chair 10 transformer. Dave Rightley presented an overview. A discussion ensued with regards to the Chair 10 transformer and Harmonics. President O'Grady requested that this be a standing Agenda item.

e. Personnel. Standish O'Grady

President O'Grady stated that the Personnel Committee has not met since August and the next meeting was scheduled for December. Due to topics brought up at this meeting another session will be scheduled sooner.

11. GENERAL DISCUSSION:

Nancy Trevett questioned the maintenance program on the Fire Department equipment that it utilizes. This will be a topic for later discussion.

12. ADJOURNMENT:

The meeting was adjourned at 11:18 a.m.


Secretary ms

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