

MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, NOVEMBER 8, 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 and Dornbrook
Also present: General Manager Sharp, Jill Campbell (Assistant Manager, Administration), Brandi Fichtner (Electric/Propane Manager), Rena Sullivan (District Clerk) Michelle Gamble (RCI), Dave Rightley (Exponential Engineering), Peter Forsch (KCP), Cheryl Stern, Judy Flinn, and Nancy Trevett, (Community Residents)

MEMBERS ABSENT: Director Richert

ORAL COMMUNICATION
/PUBLIC INPUT:

Nancy Trevett conveyed that Amador County will have a new District 3 Supervisor, Lynn Morgan, and encouraged the District to reach out to her.

Peter Forsch, KCP, acknowledged and thanked the District for helping with the recent challenges he has faced with his project over the last few months.

OR CONSENT CALENDAR: Manager Sharp requested that the Employee Housing Lease Revision be pulled from the Consent Calendar.

ADOPTION OF THE CONSENT CALENDAR:

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

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

NOES: None

ABSENT: Director Richert

ABSTAINING: None

CONSENT ITEMS BROUGHT FORWARD FOR SEPARATE DISCUSSION/ACTION: None

8A. AGENDA ITEM: Discussion and Possible Action Regarding the Timeline and Construction Activities Associated with the Out Valley Power Line Project. Manager Sharp/Michelle Gamble, Resource Concepts

i. Overall Construction Update

Manager Sharp presented an overall construction update, to include the problems associated with the T-1 Line, a communications line between KM Green and Stockton, required by PG&E, the reversal of the conduit connecting the transformer and vault at KM Blue, test energization, and the Special Use Permit from the USFS. Manager Sharp stated that the District was able to successfully energize the Valley, on time, on November 1, 2014 at 10:06 a.m.

Manager Sharp reported that on Thursday, November 6th we had a power outage due to a problem at the PG&E Salt Springs Substation. This caused our 34kV breakers to trip and necessitated the District to go onto back-up generators. Exponential Engineering assisted District Staff to restore power and found an incorrect breaker setting that was also corrected. This proved to be a valuable learning experience.

A discussion ensued.

ii. Project Close Out

Michelle Gamble presented an update of the final construction activities that have happened over the last six weeks, including the final approval from Amador County on Bear River Road, site stabilization at KM Green, seeding/mulching/revegetation and power line markers along Hwy. 88.

Michelle Gamble stated that with construction being completed we are now working on closing out the project. This will include completing environmental permit requirements, information/recording of drawings for Caltrans, completion of the contract construction paperwork, reconciliation of quantities, final change orders, final pay requests, certificates of completion and any charge backs and other contractual obligations.

8B. AGENDA ITEM: Discussion and Possible Approval of Change Orders. Michelle Gamble, Resource Concepts

- i. Wilson Construction, Overhead Component, Change Order #6, to resolve the dead-end shoes rolling towards each other reducing the phase to phase clearance. Wilson is to replace the crow foot dead-end shoe with a strain clamp dead-end shoe. Cost: \$77,649

Michelle Gamble reported that this was to correct the replacement on the 12 kV line. This was a PG&E design problem, however, Wilson Construction actually did the repair. The District will receive a credit back from PG&E for this amount.

- ii. Wilson Construction, Substation Component, Change Order #4, additional rock drilling for 2.6 feet in depth for 6.5' diameter drilled pier and rock drilling for an additional 37.9 feet in depth total for 13 structures. Cost: \$282,684

Michelle Gamble stated that both Agenda Item #8B ii and 8B iii are KM Green Substation change orders for the additional rock drilling. All depths have been verified by RCI.

- iii. Wilson Construction, Substation Component, Change Order #5, Rock drilling for ground rods 97.5 feet. Cost: \$84,093

Michelle Gamble stated that both Agenda Item #8B ii and 8B iii are KM Green Substation change orders for the additional rock drilling. All depths have been verified by RCI.

- iv. Wilson Construction, Substation Component, Change Order #6, Cost reduction of \$57,217 for removal of bollards and a portion of the paving at KM Blue, and cost increases for misc. items totaling \$23,012. Total decrease: \$34,205

Michelle Gamble stated that several items have been put together in this change order due to them coming in at the same time and she explained each one. This happens to be a decrease of \$34,205.

- v. Resource Concepts, Project Management, Change Order #3, for additional construction inspections (\$28,322.50), additional Construction Management (\$19,200), and additional Construction Survey (\$11,527.50). Cost: \$59,050

Michelle Gamble presented a change order from Resource Concepts (RCI), explaining it thoroughly, for a cost of \$59,050 which is about \$10,000 less than anticipated last July.

- vi. Q&D Construction, Underground Component, Change Order #3, for additional sectionalizing Cabinet (\$9,000), Additional Chip Seal of Access Road on Private Property (\$17,763), Crushing additional AC from SR88 (\$82,735.20), saw cutting extra deep AC sections and additional saw cutting of AC in SR88 (\$40,000), additional traffic control costs for Caltrans French Drain Repair work.

Total Cost: \$184,673

Michelle Gamble stated that this is for the Underground portion of the project and this also has a number of items included in it. Each was explained.

A discussion ensued. Manager Sharp shared the financial risks that he sees going forward, being PG&E, Q&D, the ITCC tax and further costs incurred with Exponential Engineering.

Manager Sharp stated that District Staff has reviewed all of these change orders and recommends approval to the Board. A discussion ensued.

President O'Grady motioned to approve all of the Change Orders. Director Ende seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: Director Richert

ABSTAINING: None

8C. AGENDA ITEM:

Continued Discussion and Possible Action Regarding the Current Out Valley Cost Estimate. Manager Sharp/Assistant Manager Campbell

- i. Overall Project Costs and Potential Risks
Manager Sharp stated that he previously addressed this and reiterated that the overall cost estimate at this time is \$37,864,000 and our remaining risks are PG&E, Q&D, ITCC and Exponential Engineering.
- ii. B8 Draw Down Schedule
Jill Campbell presented an updated spreadsheet showing all of the RUS draws to date, showing the A8 and B8 loans combined. The final draw for the \$8 million B8 loan was October 17th and shared that our weighted average is 2.99%.
- iii. RUS Powerhouse Depreciation Determination Update
Jill Campbell reported that this has been sent into RUS and we have contacted Howard Barnes and Bob Benson, RUS Consultants, to get their recommendation on how to proceed. A discussion ensued.
- iv. Current Status PG&E Negotiations

Manager Sharp reported that the revised Interconnection Agreement (IA) has been signed by PG&E and President O'Grady.

8D. AGENDA ITEM:

Discussion and Possible Action Related to the District's Operations and Maintenance of the Out Valley Line. Manager Sharp/Dave Rightley, Exponential Engineering

i. Load Dependent Start/Stop

Manager Sharp explained that when we conducted our test energization at KM Blue we also tested our Load Dependent Start/Stop to see if it was working. PowerSecure put this in to automatically turn generators on and off depending on the load. We are working with Exponential Engineering to re-program the Load Dependent Start/Stop in December.

ii. Generator Load Testing

Dave Rightley explained the Load Dependent Start/Stop and what happened when the system was tested. Exponential Engineering has put together a plan to accomplish Load Dependent Start/Stop so in the event of a power outage the generators will come on automatically and to provide control synchronization so staff can take generators on and off line seamlessly without impacting the District's customers. This is planned for early December. Dave Rightley stated that to accomplish this there will need to be a planned outage to completely test these controls.

Director Epstein suggested publishing a report on electrical liability on an annual basis just like we do for water quality. A discussion ensued.

iii. Road Identification and Maintenance

Manager Sharp stated that the District has acquired three sections of road that we will now need to maintain. Two of these sections are guarded by gates. This is part of our long term Special Use Permit with the USFS. Manager Sharp identified the location of these roads and the type of maintenance required and stated that we will begin with monthly maintenance checks.

Manager Sharp reported that we have contacted USA North for underground service locates so that when anyone calls USA Dig along our entire route we will be notified to mark out our area.

Manager Sharp stated that questions regarding the District's liability for fires caused by the Out Valley system were voiced at the last meeting. Manager Sharp presented Evidence of Coverage of the insurable portions of the Out Valley system and shared a very comprehensive memo

written by Dick Shanahan addressing this issue. A discussion ensued.

iv. Training

Manager Fichtner reported that staff has trained with David Rightley on general safety, qualified personnel and an overview of the equipment at KM Green and KM Blue. Staff was provided with specific hazards of the equipment at these Substations and trained in equipment use, relay operation and fault determination. Staff went through scenarios of what to do in a power outage and learned about remote viewing of the relays. Manager Fichtner reported that in-house training has been implemented and training will be conducted on a weekly basis.

Manager Fichtner presented the communication protocol with PG&E and we have provided them with our protocols, which worked very well on the outage that occurred on November 6th.

v. Monthly Checks

Manager Fichtner stated that monthly training/checks will involve what to look for when at the Substations and walking the Overhead and Underground lines. Staff has adapted forms taken from the RUS website with their requirements. Information from these forms will be compiled into a permanent record. A discussion ensued.

8E. AGENDA ITEM:

Discussion and Possible Action Regarding the District's Efforts to Comply with PG&E's Transmission Interconnection Handbook Related to the Interconnection Agreement. *Manager Sharp*

Manager Sharp stated that PG&E has asked the District to conform to the standards set forth in the Transmission Interconnection Handbook which requires the owner of the Transmission Line to own their own automatic vault protection equipment and that this is located as close as possible to the point of demarcation, which is at Salt Springs. Manager Sharp stated that one option and possible solution to this would be to construct a Switch Station at Salt Springs. We have a four year timeframe to satisfy this requirement. Manager Sharp discussed the location, project and costs.

Manager Sharp stated that the first task is to write a request to implement a System Impact Study and we are beginning to work with PG&E on this next phase of the project. A site tour will be scheduled in the near future. A discussion ensued.

8F. AGENDA ITEM: Discussion and Possible Action Related to the District's Electric Power Purchase Relationship With Shell Energy and CALISO Including Options for the Balance of Calendar 2014 Including the Consideration of a Hedge Purchase for the Month of December 2014. *Manager Sharp*

Lead: Finance Committee

Manager Sharp stated that the District has solidified a relationship with CALISO and has been working with Shell Energy on our power purchase arrangement. Manager Sharp stated that the Board has approved a three year hedge.

Manager Sharp asked the Board to consider purchasing a hedge for the month of December if the conditions are favorable. A discussion ensued.

President O'Grady stated that he would support Manager Sharp's recommendation.

President O'Grady motioned to approve that either the Board Treasurer or President and Manager Sharp have the authority to consider a hedge purchase for the month of December 2014. Director Dornbrook seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: Director Richert

ABSTAINING: None

8G. AGENDA ITEM: Discussion and Possible Action Related to the District's Current Debt Structure. *Assistant Manager Campbell*

Lead: Finance Committee

Assistant Manager Campbell presented a summary of District debt and payments per fiscal year. Assistant Manager Campbell stated that a Bank of the West real estate loan was missing from this report and it will be added and the report updated. A discussion ensued.

Manager Sharp noted that the Personnel Committee has reviewed the Cal Pers liability side fund, being our most expensive debt at this time. A discussion ensued.

8H. AGENDA ITEM: Discussion and Possible Approval of the Report of Independent Auditors and Financial Statements with Supplemental Information. *Assistant Manager Campbell*

Lead: Finance Committee

Assistant Manager Campbell presented the final version of the

Auditors Financial Statement for Fiscal Year 2013-2014. The Finance Committee has reviewed this and discussed it with Moss Adams. Assistant Manager Campbell stated that it is Staff's recommendation for the Board to approve the Report of Independent Auditors and the Financial Statements for Fiscal Year 2013-2014. A discussion ensued with regards to the procedure of approval. Manager Sharp will consult with General Counsel on this procedure.

Director Epstein commented that it is a clean and very thorough Audit and he and Staff are pleased with the improvements offered by Moss Adams. Director Epstein shared the three major points identified in the Management Letter. President O'Grady stated that there will be an expense issue that will be brought before the Board at a future meeting. A discussion ensued.

President O'Grady motioned to confirm the Finance Committee's acceptance of the Draft Audit and Financials and to accept and approve the Final Report of Independent Auditors and Financial Statements with Supplemental Information. Director Ende seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: Director Richert

ABSTAINING: None

8I. AGENDA ITEM:

Discussion and Possible Action Regarding the District's Snow Removal Services Operation Including a Study of a Valley Wide Residential Service. Manager Sharp

Lead: Planning Committee

Manager Sharp reported that all Homeowner Association contracts have been received, along with many of the private driveways. We have a potential of \$530,000 in revenues and expenses.

Manager Sharp presented a detailed Memo stating that the District will need to take several steps and complete studies to move along on the idea of changing our Homeowner Association contract base. We have completed taking the measurements of all the common snow removal areas and have placed them in a database tied to APN numbers to create a service area map. Director Epstein will help with the storage of this data in the report server so that it will tie into the billing software.

Manager Sharp presented the Rules Resolution that Dick Shanahan, General Counsel, has produced, stating that this is still a work in progress. This will all be presented to the Planning and

Finance Committees as it progresses and then to the Board for the final (potential) approval. A discussion ensued.

Director Epstein stated that he believes the opportunity for misinformation and anxiety with this project is extremely high and suggested that it is communicated thoroughly and demonstrate current and future costs and unforeseen scenarios. A discussion ensued.

8J. 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 as reported the team has been put together and it has been determined that the water rights permitting could take as long as 1.5 to 3 years consecutively with the Environmental permitting, which could take approximately 10 months, depending on the protests received on this issue.

Manager Sharp reported that data on the snowmaking line has been received from Vail and we have contracted with RCI to GPS this line. We have also requested information on the snowmaking system from Vail to be used in producing a project description. It is still the goal to go to the State Water Rights Board this winter with an application. A discussion ensued.

9. MANAGER REPORTS:

a. General Manager Report. Manager Sharp

Manager Sharp presented the November 2014 Newsletter.

Manager Sharp reported that the Aquifer levels are up to 138 feet, which is the highest it has been this year!

Manager Sharp thanked Peter Forsch for the update on the Timber Creek Townhomes.

Manager Sharp presented a tree survey that was done by a registered forester who identified about 30 dead and dying hazardous trees. We may not remove all of these trees but we now have the proper document to take to TRI-TAC to get the proper approvals.

Manager Sharp reported that we have just completed our first membrane cleaning.

Manager Sharp reported that snow stakes are going up in the Valley and we have installed bollards around KM Green and will be installing them at KM Blue.

b. Operations Report. Assistant Manager Ansel

Manager Sharp covered this in his Manager Report.

- c. Electric/Propane Systems. Electric/Propane Manager Fichtner
Manager Fichtner presented an update on the generator repairs, stating that all generators are operable and are ready to be used as emergency back-up.

Manager Fichtner reported that we continue to work with Great Basin on the modifications to our permit.

Manager Fichtner stated that we will begin reducing staff hours at the Powerhouse, however will be fully staffed during resort operations and will also implement an on-call staff procedure.

Director Epstein brought up the possibility of reducing the number of generators we have, now that we are on the grid. A discussion ensued. It was the consensus of the Board to direct staff to begin investigating options.

- d. Administrative Report. Assistant Manager Campbell

- i. Performance Reporting

Assistant Manager Campbell presented the Performance Reports for September. A discussion ensued.

- ii. September Financials

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

10. COMMITTEE REPORTS:

- a. Communications. Bob Epstein

Director Epstein reported that the Communications Committee has not met since the last Board meeting, however two topics that are being discussed are how to improve the effectiveness of the Board audio, and communication on snow removal should become a priority.

- b. Planning. Bob Ende

Director Ende stated that the Planning Committee has been discussing the Meadow Trail system and have walked the trail and will produce a larger map to formalize the concept with the HOA's and Vail. Also, District staff will do additional USFS grade trail work on public property in the future.

Director Ende shared a request from Caroline Scott to look into an employee run Greenhouse, however there does not seem to be much interest.

Director Ende mentioned the pile of construction debris located behind the Timber Creek Townhomes. Peter Forsch reported on how they will deal with this.

c. Finance. Bob Epstein

Director Epstein stated that based on the rate change from last month, that Net Metering will now be an estimate until the end of the year.

Director Epstein stated that the Finance Committee will be working on the Audit and the Capital Connection fees.

d. Operations/Capital Projects. Peter Dornbrook

Director Dornbrook stated that the Operations/Capital Committee meeting that was scheduled for November 6th was cancelled.

e. Personnel. Standish O'Grady

President O'Grady stated that the Personnel Committee met on October 17th and the whole topic was Fire Department staffing/on-call policy. Manager Sharp reiterated his prior recommendation and the Committee supported Staff's recommendation.

11. GENERAL DISCUSSION: None

12. CLOSED SESSION: At 10:35 a.m. President O'Grady announced that the Board would now go into Closed Session to discuss Employee Performance Reviews Pursuant to G.C. 54957.6.

13. OPEN SESSION: At 11:05 a.m. President O'Grady announced that the Board had discussed employee performance reviews with Manager Sharp.

13. ADJOURNMENT: The meeting was adjourned at 11:10 a.m.


Secretary

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