

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, JANUARY 17, 2015
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, Richert and Dornbrook
Also present: General Manager Sharp, Jill Campbell (Assistant Manager, Administration), Rick Ansel (Assistant Manager, Operations), Brandi Benson (Electric/Propane Manager), Rena Sullivan (District Clerk), Kelly McBride (Accounting), Michelle Gamble (RCI), Dave Rightley (Exponential Engineering), Lynn Morgan (Amador County Supervisor), Terry Woodrow (Alpine County Supervisor), Melene Smith, Judy Flinn, and Nancy Trevett, (Community Residents)

MEMBERS ABSENT: Director Ende

ORAL COMMUNICATION
/PUBLIC INPUT:

Lynn Morgan, Amador County Supervisor, invited public input on any issues that exist in Amador County including road maintenance, stating that Kirkwood residents pay into Amador County Property Taxes. Lynn Morgan stated that the County General Plan is currently being updated and is available online and at the Amador County Library. The Amador County Board of Supervisors will hear public comments on January 20th on the draft EIR and a Town Hall meeting will be held in Buckhorn on January 21st. Director Richert and Manager Sharp requested to be notified of anything in the EIR that would affect Kirkwood.

CORRECTIONS TO THE AGENDA

OR CONSENT CALENDAR: Manager Sharp stated that Staff would like to defer on Agenda item 8E. iv Discussion and Possible Approval of Scope of Work for Exponential Engineering Regarding Project Support, Design and Construction Support Services for the Switch Station Project.

Director Dornbrook motioned to approve the adoption of the Consent Calendar with the modification made. Director Richert seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: Director Ende

ABSTAINING: None

CONSENT ITEMS BROUGHT FORWARD FOR SEPARATE DISCUSSION/ACTION: None

8A. AGENDA ITEM:

Discussion and Possible Action Regarding the Final Issues Associated with the Out Valley Power Line Project. Manager Sharp/Michelle Gamble, Resource Concepts

- i. Construction Contract Close-out and Completion.
Michelle Gamble reported that work on the close out documents continues along with the final change order for the Underground. Once the waivers are received from the Contractors and Sub-Contractors the final paperwork will be processed.

- ii. Station Service Update
Michelle Gamble stated that PG&E punch list items have been completed at the station service, however Amador County and PG&E final inspections are still outstanding due to access restrictions. Michelle Gamble stated that the Back-up Station Service Agreement with PG&E is also still outstanding. District staff has received an invoice with a dollar amount, however there was no back up documentation, hence the delay. A discussion ensued.

- iii. Caltrans
Michelle Gamble reported that we have been contacted by Caltrans with regards to the failure of a portion of the asphalt which was laid last season. Q&D has been onsite along with the asphalt vendor and is producing a plan of action to be submitted to Caltrans. This is a warranty item.

Michelle Gamble reported that damage to a French drain has been detected between Shealar Lake and Plasses' Resort on Hwy. 88. This was previously addressed in 2013 with Caltrans direction, however this problem has resurfaced and is causing concern. Caltrans has submitted a remedy to this situation and Q&D will submit a cost to complete the repair. A discussion ensued.

Manager Sharp stated that this is a safety issue and recommends approval from the Board to allow the General Manager and President of the Board to authorize expenditure up to \$45,000 to conduct repairs and then attempt to recover costs.

Director Richert motioned to approve that the repairs proceed as quickly as possible and the cost of up to \$45,000. Director Dornbrook seconded the motion and it carried by the following voice vote:

- AYES: President O'Grady, Directors Epstein, Dornbrook and Richert
- NOES: None
- ABSENT: Director Ende
- ABSTAINING: None

8B. AGENDA ITEM:

Discussion and Possible Approval of Change Orders. Michelle Gamble, Resource Concepts

i. Q&D Construction, Quantities Reconciliation for Various Underground Materials (Slurry) and Construction Units.

Michelle Gamble stated that the Slurry Quantities Reconciliation has been negotiated with Q&D and a change order presented for the amount of \$94,142.97.

Michelle Gamble stated that Volcano requested a third conduit be placed going into Kirkwood and Q&D agreed for an extra dollar per foot. A change order was presented for \$12,047 which is the amount that we will pay Q&D and then Volcano will be invoiced for this amount. A discussion ensued.

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

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

NOES: None

ABSENT: Director Ende

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 presented Out Valley financial risks stating that PG&E has acknowledged that the ITCC Tax rate for the entire project will be at 22% for a savings of approximately \$111,000. Additionally staff is questioning PG&E as to why the District will be responsible for 100% of the O&M costs of the upgrade of the Substations at Salt Springs and Tiger Creek. A discussion ensued.

ii. Cash Flow Forecast

Assistant Manager Campbell presented an updated expense forecast with the expense to date being updated with everything included up to this consent that was approved.

iii. RUS Powerhouse Depreciation Determination Update

Assistant Manager Campbell stated that RUS met in December to discuss the District's Powerhouse Depreciation Study and did have additional questions that have been answered. RUS has not met since December. Howard Barnes, RUS Consultant, suggested that in anticipation of the next RUS meeting that we reach out to our generator manufacturers for any information on the useful life of the generators. We have begun reaching out to the sellers as well and requesting testimonials from other users. A discussion ensued.

8D. AGENDA ITEM:

Discussion and Possible Action Related to the District's Operations and

Maintenance of the Out Valley Line. *Manager Sharp*

i. Overall Update.

Manager Sharp stated that staff continues to refine our operations and maintenance of the Out Valley line. Inspections are going well and a spreadsheet has been developed to track inspections that will be performed on a monthly basis. The District's new snowmobile has been a useful tool and a snowmobile training manual with a sign out page has been implemented.

ii. Presentation and Possible Approval of Emergency Services Contract with Wilson Construction.

Manager Sharp stated that the District needs adequate resources in case of an emergency. PG&E is also anxious to see that the District has appropriate resources. Manager Sharp presented a Maintenance Service Agreement with Wilson Construction. This Agreement is for Task Orders only approved by the General Manager. This Agreement has been reviewed by the General Counsel who made several revisions, and those revisions were approved by Wilson Construction. Manager Sharp stated that Staff recommends approval of the Wilson Construction Maintenance Service Contract for Emergency and Maintenance Work on a Task Order basis. A discussion ensued.

President O'Grady motioned to approve the Wilson Construction Maintenance Service Contract for Emergency and Maintenance Work on a Task Order basis. Director Epstein seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: Director Ende

ABSTAINING: None

iii. Discussion and Possible Approval of Scope of Work for Resource Concepts, Inc. Regarding Environmental Permit Compliance Monitoring of the Out Valley Power Line Corridor.

Manager Sharp stated that RCI has submitted a proposal to assist the District in the ongoing required environmental permit compliance monitoring. This is a Time & Material (T & M) contract not to exceed the amount of \$20,400 for one year. District Staff will train with RCI during the first year with the intent of taking over some of these tasks.

Michelle Gamble stated that as part of the Special Use Permit that the District has with the USFS there is certain monitoring that must occur over a three year cycle, and additional monitoring once the three year cycle is completed. Michelle Gamble outlined the tasks/timelines involved in the environmental permit compliance monitoring. A discussion ensued.

Director Richert motioned to approve the scope of work for

Resource Concepts, Inc. regarding the Environmental Permit Compliance Monitoring of the Out Valley Power Line Corridor. Director Dornbrook seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: Director Ende

ABSTAINING: None

iv. Update on District's Efforts to Enable Load Dependent Start/Stop and Generator Load Testing at the Powerhouse.

Manager Sharp stated that the Board approved a proposal from Exponential Engineering to enable the load dependent start/stop to ensure that if the Out Valley line goes down the Powerhouse will turn on automatically and the District will have the ability to test the generators under load without a power outage. Dave Rightley, Exponential Engineering, presented an update. A discussion ensued with regards to the timing involved with the "re-start".

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 the District is working with PG&E to comply with the Transmission Interconnection Handbook according to the terms of the Interconnection Agreement.

i. Presentation and Possible Approval of Agreement with PG&E to Complete the System Impact Study

Manager Sharp stated that one of the first items needed is for PG&E to complete a System Impact Study which is basically a feasibility study of the project. District Staff has prepared a directive for PG&E to complete this Study.

Once complete, a Facilities Study would be initiated and Exponential Engineering will be able to begin the design phase of the project. The estimate of the System Impact Study is \$70,000 plus a 15% contingency fee for a total of \$80,500. This study is scheduled and could be completed by May 26, 2015. This would be a portion of PG&E's budgeted costs. District Staff and General Counsel have reviewed this and recommend approval.

Director Epstein questioned the need for another communication line and would there be a more economical solution. Dave Rightley addressed this question. A constructive discussion ensued with regards to the cost of this project.

Director Richert motioned to approve the Agreement with PG&E to complete the System Impact Study with a cost not to exceed \$80,500 and with the requested change to explore alternatives to communication line options. President O'Grady seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: Director Ende

ABSTAINING: None

ii. Costs to Date and Preliminary Budget
This Agenda item was previously discussed.

iii. Discussion and Possible Approval of Scope of Work for Resource Concepts, Inc. Regarding Project Management, PG&E Coordination, and Initial Environmental Scoping Services for the Study Phase (2015 Work) of the Switch Station Project.

Manager Sharp stated that the District requested that RCI produce a scope of work for the first year of the Switch Station project. This would be paid out at Time & Material (T&M) with a not to exceed amount of \$59,500. Michelle Gamble presented an overall scope of the work to be done and discussed the environmental implications. A discussion ensued.

President O'Grady motioned to approve the scope of work for Resource Concepts, Inc. regarding Project Management, PG&E Coordination, and Initial Environmental Scoping Services for the Study Phase (2015 Work) of the Switch Station Project. Director Richert seconded the motion and it carried by the following voice vote:

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

NOES: None

ABSENT: Director Ende

ABSTAINING: None

iv. Discussion and Possible Approval of Scope of Work for Exponential Engineering Regarding Project Support, Design and Construction Support Services for the Switch Station Project.

Manager Sharp requested to defer on this Agenda item.

8F. AGENDA ITEM:

Discussion and Possible Action Regarding Resolving Harmonics and Other Electric Distribution Power Quality Issues. Manager Sharp/Dave Rightley, Exponential Engineering

Lead: Operations/Capital Committee

Manager Sharp stated that power quality issues have been a long term concern in Kirkwood and in 2013 the Board retained Exponential Engineering to perform a Power Quality Study. The final report stated that the power quality was in an acceptable range, however the total harmonic distortion produced by some of the chairlifts exceeded the Districts electric rules & regulations. The report recommended that filters be installed on the chairlifts and the power quality meter study be expanded to the balance of

the chairs to determine where the problem is. Once data is collected it will be evaluated by Exponential Engineering and will then be brought back to the Board for review and recommendation. A discussion ensued.

Manager Sharp stated that with the Out Valley being completed now for 2 ½ months our power has been extremely stable and improvements have been noticed in the system frequency and harmonic distortion. Brandi Benson presented a frequency and harmonic distortion draft comparing last season to this season showing significant improvement. A discussion ensued.

Manager Sharp presented a list of action items suggested by the Operations/Capital Committee, stating that Staff recommends that the District continues to gather power quality data and should have all of the chairlifts monitored by the February 14th Board meeting.

8G. AGENDA ITEM: Update and Possible Action Regarding the Construction and Approval Process for the Timber Creek Townhomes Project. Assistant Manager Ansel
Lead: Planning Committee
Assistant Manager Ansel presented an overall update regarding construction and District inspections and approvals of the Timber Creek Townhomes.

8H. AGENDA ITEM: Presentation and Possible Approval of Federal Assistance Grant for the Upgrading of the Fire Department's SCBA Systems. Fire Chief Ansel
Lead: Operations/Capital Committee
Fire Chief Ansel described the Self Contained Breathing Apparatus (SCBA) system that is currently being used, and that this equipment is close to ten years old, compared to the safer/newer technology. Fire Chief Ansel stated that the Regional Fire Chiefs have submitted a grant on behalf of all the local Fire Districts to upgrade the SCBA's. If the grant is awarded this will come back to the Board to approve approximately 10-12% of the cost that would be due. It was discussed that this could be considered during the KVFD July 4th fundraising event.

8I. AGENDA ITEM: Discussion and Possible Action Related to District's Research and Efforts to Improve the Efficiencies and Minimize the Losses of Each Department as Measured in Performance Reporting. Manager Sharp/Electric/Propane Manager Benson
Lead: Operations/Capital Committee
Manager Sharp presented an update regarding the District's efforts in identifying and resolving the electric system losses for the period of November 1, 2014 to December 31, 2014. In order to identify the source of the loss District Staff has identified known areas that are all users of electricity that are not metered. Exponential Engineering has regrouped these and identified losses in four categories, estimating losses for each.

Manager Sharp presented a detailed list of the estimates of line loss and current action items along with areas that have been identified so far. The form itself has been reformatted to highlight the most important information.

The Operations/Capital Committee has evaluated this information and given additional input and District staff will continue to consider this a priority issue and return updates to the Operations/Capital Committee and to the Board as needed. A discussion ensued.

8J. AGENDA ITEM: Presentation and Possible Action Related to District's Progress on Researching an Alternative Method for Calculating Electric Capital Connection Fees. *Manager Sharp*

Lead: Finance Committee

Manager Sharp stated that the District has been researching altering the method in which it calculates electric capital connections. Director Richert has developed an additional charge to the cost of the Out Valley project that would be added to the existing electric Capital Connection fee. This standardized based methodology attempts to fairly distribute the cost of the Out Valley project to all rate payers, both current and future.

At the last Board meeting, the Board heard a report from directed Kennedy Jenks which reviewed how the District currently calculates the capital connection fees and the standardized based methodology. The Board directed this back to the Finance Committee to work on the assumptions and Staff has reviewed these assumptions. Manager Sharp presented staff's comments.

The Finance Committee directed staff to come back with a graph/chart that shows all three methods of assumptions, a narrative, and a spreadsheet with each of the three different directions. Staff will prepare a timeline to have this in force by July 1, 2015. Staff will continue to work on this and hopes to have a full comparative model to be presented at the next Finance Committee meeting that will show how this would affect existing overall capital connection rates. A discussion ensued.

Judy Flinn suggested that the next document that is prepared, with all three scenarios, contain equations and assumptions for the sake of understanding.

8K. 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: Finance Committee

Manager Sharp stated that the District and the Finance Committee have been investigating the possibility of changing Snow Removal services from a HOA contract based service to a property related service similar to water and electric. Manager Sharp noted the advantages and shared the objectives developed by the Finance Committee, stating that there are many action items involved. Measurements have been taken, a service area map produced, data has been stored in the report server and District Counsel has produced and revised a Rules Resolution.

Manager Sharp stated that it has been determined that each lot would have a snow removal charge, and driveways would be a separate charge. The District has begun tracking seat time again and will present this information to the Finance Committee and Board once this data is collected. Manager Sharp stated that other municipalities have been contacted and administrative savings have been calculated.

Judy Flinn stated that the HOA's budget in April and it would be difficult to complete this process this year. Bob Epstein stated that the timeframe may not be this year but would like to get to a "yes" or "no" and set an implementation date. A discussion ensued.

Manager Sharp stated that Staff recommends that the District proceed with this analysis and possibly hold a Public Hearing in March to discuss this further.

8L. AGENDA ITEM:

Discussion and Possible Action Related to the District's Efforts Related to the Caples Lake Water Rights Application with the State Water Board and the Department of Public Health. *Manager Sharp*

Lead: Planning Committee

Manager Sharp provided an overall update and timeline and possible action items should the Board decide to proceed with the District's pursuit of Caples Lake Water Rights.

Manager Sharp clarified the process stating that all water rights are issued for a specific length of time, typically 15 years, with progress reports filed on an annual basis.

Manager Sharp stated that the Project Description is the first step to a permit and on December 12th the Board approved a proposal from Bennett Engineering to produce a Project Description that we anticipate to be completed by the end of January 2015. Once completed the Project Description will go back to the Planning Committee for review and then to the Board for review, comment and possible approval.

Manager Sharp explained the second part of permitting being the Environmental Review and explained the process of a possible exemption.

Manager Sharp stated that once the Project Description and Environmental Review analyzes are complete, consultants could compile all information and file the permit. The permit would go before the Board for approval prior to the State Water Resources Board. Once the application is filed it could take 18-32 months for the permit to be issued, if there are no protests. Manager Sharp recapped the costs to date and noted that the Aquifer levels remain an unknown factor and explained alternate water sources.

Manager Sharp stated that staff would like to present the Project Description to the Board at the February 14th meeting and possibly talk about the Notice of Exemption and the approval to present the Project Description to the Department of Drinking Water for review. Manager Sharp outlined the next steps if the Board decides to move forward with Caples Lake Water Rights. A discussion ensued.

9. MANAGER REPORTS:

a. General Manager Report. *Manager Sharp*

Manager Sharp reported that District Staff has made Out Valley presentations to Amador and Alpine County and will make a presentation to the USFS in the near future.

Manager Sharp presented a District Personnel flow chart for this winter season.

Manager Sharp stated that the Out Valley Press Release will be distributed to local papers this week.

Manager Sharp reported on the additional compensation requested for the 2013-2014 Audit. After consultation with the Board President and Treasurer the District has agreed with Moss Adams counter offer.

b. Operations Report. Assistant Manager Ansel

Assistant Manager Ansel reported that Vail is staging National Safety Month for the resort to increase safety awareness.

Assistant Manager Ansel reported on the WWTP stating that the Koch Membranes are performing well, however, we lost power to the main motor control cabinet that took out our back-up battery supply. Derek Dornbrook, WWTP Superintendent, reported on the incident.

Assistant Manager Ansel discussed the noise level coming from the A-Frame and measures taken to reduce the noise.

Assistant Manager Ansel announced that recent test results have reported that we are well below the required levels for lead and copper in the Valley's drinking water.

Assistant Manager Ansel stated that the Remote Water Meter project continues to progress with only 27 meters left to install.

Assistant Manager Ansel presented the 2014 Fire Call Run Survey and also thanked Alpine County for the 1998 Ford Expedition that has been donated to the District/KVFD. Director Epstein mentioned that he has a thermostat that has the ability to be programmed to send a smoke alarm alert directly to the Fire Department.

c. Electric/Propane Systems. Electric/Propane Manager Benson

Manager Benson presented a Powerhouse Stand-by update stating that a Powerhouse Operator has been staffed from 6:00 am to 5:30 pm. Once the re-programing of the system is completed this may change.

Manager Benson reported that we are exercising generators – about 15 minutes a week. Two full Out Valley inspections have been completed with a third just beginning.

Manager Benson stated that staff is working on a Powerhouse permit modification with Great Basin and Load Forecasting for the month of December was discussed. A discussion ensued.

d. Administrative Report. Assistant Manager Campbell

Assistant Manager Campbell presented the Balance Sheet for November, the Combined Income Statement and the Cash Waterfall. A discussion ensued. President O'Grady suggested moving the 2015-2016 Budget up by a month.

10. COMMITTEE REPORTS:

a. Communications. Bob Epstein

Director Epstein reported that the Communications Committee has nothing new to report at this time.

b. Planning. Bob Ende

Director Richert stated that the Planning Committee has nothing new to report at this time and will begin addressing the Fire Master Plan.

c. Finance. Bob Epstein

Director Epstein stated that The Finance Committee has nothing new to report at this time that has not already been covered.

d. Operations/Capital Projects. Peter Dornbrook

Director Dornbrook stated that the Operations/Capital has nothing new to report at this time that has not already been covered.

e. Personnel. Standish O'Grady

President O'Grady stated that the Personnel Committee met in December and reviewed several things including the General Manager's mid-year goals.

11. GENERAL DISCUSSION: None

13. ADJOURNMENT: The meeting was adjourned at 11:52 a.m.


Secretary ms

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