

MINUTES OF THE SPECIAL MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, APRIL 11, 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. Manager Sharp welcomed Casey Blann from Vail Resorts to the meeting, and Terry Woodrow, Alpine County Supervisor.

MEMBERS PRESENT: President O'Grady, Directors Ende, Epstein, Dornbrook and Richert. Also present: General Manager Sharp, Jill Campbell (Assistant Manager, Administration), Rick Ansel (Assistant Manager, Operations), Brandi Benson (Electric/Propane Manager), Kelly McBride (Accounting), Ron Hanes and Terry Woodrow (Alpine County Board of Supervisors), Casey Blann (Vail), Sandy Sloan, Allan Sapp, Judy Flinn, Nancy Trevett and Jan Hill (Community Residents).

MEMBERS ABSENT: None.

ORAL COMMUNICATION
/PUBLIC INPUT: None.

CORRECTIONS TO THE AGENDA

OR CONSENT CALENDAR: Staff would like to move Agenda Item #8, General Manager Report, to after Agenda Item #9.q, and defer Agenda Item 9.c., Capital Connection Fees, to a later Board meeting. It was also noted that the March 14, 2015 Minutes incorrectly stated Director Epstein was present during the latter part of the meeting. Director Dornbrook motioned to approve the Agenda as corrected and the Consent Calendar. Seconded by Director Ende, the motion was carried by the following vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

CONSENT ITEMS BROUGHT FORWARD FOR SEPARATE DISCUSSION/ACTION: None

9.a. AGENDA ITEM: General Update and Discussion on Current Activities and Summer Planning from the Ski Resort Operator, Vail Resorts. Casey Blann, V.P. and General Manager, Kirkwood Mountain Resort
Casey Blann provided a general update on the ski resort and the proposed

parking lot next to the Wastewater Treatment Plant on Loop Road. The Board directed staff to formulate a Kirkwood Parking Committee to review parking needs in the area. Potential representatives include a member from Vail Resorts, a member from Kirkwood Resort Development, community members Sandy Sloan, Allan Sapp and Geoff Smith, and District staff member Michael Sharp. Issues to be addressed include:

1. Review current (2001) Master Parking Plan and the need for any changes;
2. Amount of parking that is currently available;
3. Amount of parking that is needed;
4. The best approach to meet this need; and
5. The best location to be developed.

9.b. AGENDA ITEM:

Discussion and Possible Action on a Request by Vail Resorts to Waive Penalty and Interest Fees in the Amount of \$35,386.41 on a Past Due Receivable. Manager Sharp

Lead: Finance Committee

Manager Sharp reported that Vail Resorts has requested a waiver of penalties Vail incurred as a result of delinquent accounts. Vail Resorts has submitted a plan to ensure payments would be received on time acceptable to staff. The Board agreed to waive penalties assessed to Vail Resorts for January 2015 receivables in the amount of \$35,386.41, less any expense incurred by District staff for time spent reversing these penalties.

9.c. AGENDA ITEM:

Presentation and Possible Action on Fee Study and Enabling Ordinance Related to the Revision of the Calculation Method for Determining District Electric Capital Connection Fees. Manager Sharp/General Counsel Shanahan

Lead: Finance Committee

Deferred to allow Staff to complete further research into how other utilities in the area calculate Capital Connection Fees.

9.d. AGENDA ITEM:

Discussion and Possible Action Regarding the District's Financials, Efforts to Reduce Expenses and Financial Impacts of the Continuing Drought on the District's Finances. Assistant Manager Campbell

Lead: Finance Committee

Assistant Manager Campbell presented the February Financials, March Forecast and Cash Flow by Department and Roll Up. Also presented to the Board were cost saving moves already in place, and additional cost saving moves currently under review. Staff were directed to research providing a report from PCS for "Uses of Cash", in addition to researching RUS funding for Switch Station costs.

9.e. AGENDA ITEM:

2016-2020 Budget Planning, Presentation of Revised Overall Budget, with Balance Sheet and Five Year Cash Waterfall. Assistant Manager Campbell

Lead: Finance Committee

After Assistant Manager Campbell presented the budget and projected 5-year cash waterfall, Staff were directed to:

1. Complete a sensitivity analysis due to fourth year of drought conditions.
2. Revise "Good Winter" model used for all services.
3. Update cost per kWh used for electric; change from the current \$0.68/kWh to a more gradual reduction annually.
4. Update Powerhouse Depreciation Rate. Currently using 3.5%; revise to 3.0%.
5. Review G&A allocations by department for accuracy.
6. Look at progressively raising rates in all enterprise departments that

- show a cash loss. Complete a plan to eventually make each department cash neutral.
7. Look at rolling over current RUS loans set to mature in the next five years.
 8. Update Capital Plan.
 9. Expand Income Statements, Balance Sheet and Cash Waterfall to five years.
 10. Staff will request information from Vail on allocation of passholder skier days and the impact of Heavenly passholder use at Kirkwood.

9.f. AGENDA ITEM:

Discussion and Possible Action Regarding the Final Issues and On-Going Maintenance Associated with the Out Valley Power Line Project. Manager Sharp

Manager Sharp gave the following update to the Board:

1. Construction Contract Close-Out and Completion. Out Valley close-out tasks are being completed rapidly and staff plans to bring the Board the As-Builts, final requests for payments of the 5% retentions, the Notice of Completion and other required paperwork to next Board meeting. Staff to research report of Electric Line slurry exposed on Kirkwood Meadows Drive.
2. Fiber Line Update. On March 2nd the District was notified by PG&E that the T-1 line was down. This line connects the District, PG&E and CalISO to KM Green and is vital for protection, etc. Edge Communications was notified and found the problem 150 feet in the embankment of the Silver Lake Bridge. It was discovered that with recent rain storms and snowmelt, water intruded into the Telecommunications vaults up to the level of the conduit, seeping into the conduit. The cable is designed to operate in water but when the line comes up above the freeze line to cross the bridge, it freezes. This freeze-thaw action is what is thought to have damaged the line. A new line was installed in spare conduit and is back up and running.
After reviewing the Plans staff will write a letter to Q&D Construction detailing results of the District's overall system inspection and requesting a meeting to discuss plans to repair the issues found and resolution of costs incurred to date. The District may need to seal the area between the cable and conduit in the electric vaults. Whether this will be completed in-house or by a bid process is yet to be determined. Repair steps include: water-purge the conduits, seal conduits, cap spare conduit, install weep holes, and splice protection.
3. Station Service Update. Required as 110V backup for KM Green's Control Building, all inspections are complete but waiting on installation of the meter, which is being held up by PG&E's lack of a Special Use Permit. Absolving Agreement with PG&E allows them to work on the Station Service line under the District's Special Use Permit and staff expects the meter installation to occur shortly, which will conclude this issue.
4. Update on Repair of Section of Underground Cable Installation Near Plasses Resort Exit. The Board approved an emergency repair to Highway 88 near Plasses exit due to water being blocked by the slurry cap on the Out Valley line and coming up at the cut line and sheeting across the road. Repairs have been completed per Caltrans specs, guidance and inspections. Due to continuing areas of sheeting, staff and RCI met with Caltrans; consensus is for Caltrans to identify cause and solution to the problem, and then if necessary meet again with District. Staff is pursuing a claim against Caltrans based on non-disclosure of French drains in the construction area.

9.g. AGENDA ITEM: Continued Discussion and Possible Action Regarding the Current Out Valley Cost Estimate. *Manager Sharp*

Manager Sharp presented the current Out Valley cost estimate and potential risks to the Board. The RUS Committee has met and made a determination on the Powerhouse Depreciation rate. Staff is waiting on written notification and will report back at next meeting. The Budget is based on a reduction from 7% to 3.5%.

9.h. AGENDA ITEM: Discussion and Possible Action Relating to PG&E's Revised System Impact Study Regarding the District's Efforts to Comply with PG&E's Transmission Interconnection Handbook. *Manager Sharp*

Manager Sharp stated that Staff is working with PG&E on several issues including a response to the District's request for information on the Substation Cost of Ownership, what was existing, and what improvements were made to make the maintenance determination. District has requested a meeting with PG&E to discuss this and evaluate risks and benefits, to both PG&E and District customers, of the Switch Station Project. Board members will be involved in this process.

Switch Station Project Schedule. The Interconnection Agreement calls for a four-year project, however the District has discussed the concept of completing it in two years with both the Board and PG&E. It was agreed that a 2-year project could be accomplished if design, engineering and environmental were started before the Facilities Plan is complete. Due to concerns of possibly having to redo work due to changes in design by PG&E, staff has requested PG&E to delay any investigation of speeding up the process until the System Impact Study is complete, and possibly the Facilities Plan as well. Staff will begin research on obtaining RUS loan funds for the Switch Station, and pursue a second bid for the electrical design and construction support for this project.

System Impact Study (SIS). The SIS is a general feasibility study of the project and is well underway with a draft due April 24th. If the report is favorable, a Facilities Plan would be initiated at an estimated cost of \$125,000 to provide specific information on equipment needs and probable costs. The fee estimate for the SIS is \$70,000 plus a 15% contingency for a total of \$80,500. The Board previously approved the SIS, but now it has been revised to return the Telecommunications section language back to the original version and to allow for incidental expenses, such as start-up costs, up to a maximum of \$30,000. Director Richert voiced his displeasure at the continuing escalating costs of PG&E. District staff recommended approval of the revised System Impact Study. The SIS should be complete by May 26, 2015.

Director Epstein motioned to authorize the President to sign the revised SIS. Seconded by Director Ende, the motion carried by the following vote:

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

NOES: Director Richert

ABSENT: None

ABSTAINING: None

9.i. 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. *Electric/Propane Manager Benson*

Lead: Operations/Capital Committee

Manager Benson reported that Emerson Electric was hired by the District to review the accuracy of certain meters in the electric system. The report from Emerson was reviewed. Overall items to improve efficiencies and minimize line loss include:

Electric:

1. Review and update meter list for each feeder.
2. Evaluate the need for additional meter installations in the distribution system.
3. Evaluate charging customers for line loss on long service runs.

Propane: Identify the oldest meters and change out as part of 10% annual CPUC requirement.

Water:

1. Zone static water pressure testing.
2. Use water meter for weekly water sampling and fire hydrant flow testing.
3. Identify older water meters that are possibly not reading correctly and investigate cost of replacement.
4. Install water meter on District facilities.

Wastewater:

1. Compare infiltration meter versus the absorption bed meter to confirm influent metered data.
2. Investigate possible infiltration and inflow through temperature and flow testing.
3. Continue 1/5th SSMP video inspection in compliance with water discharge requirements.
4. Upgrade or change manhole covers and rings beginning with the Meadow portion of the collection system.

Action Items:

1. Staff to bring back the cost of a water meter for District facilities.
2. Staff to bring back Electric Line Loss information broken out by area.
3. Staff to research turning off certain step-up transformers at the Powerhouse.
4. Staff to follow up on recommended repairs from Emerson's report.

9.j. AGENDA ITEM:

Discussion and Possible Action Regarding Resolving Harmonics and Other Electric Distribution Power Quality Issues. *Manager Sharp*

Lead: Operations/Capital Committee

Manager Benson reported that data has been collected from chairlifts during full operation, except for Chair 6, and provided to Exponential Engineering for analysis; results should show which lifts produce THD (total harmonic distortion) higher than 5%. Exponential's 2013 Power Quality Report was provided to Vail, who are conducting an independent power quality study (by Brunel Corp.), the results of which will be shared with the District once complete.

Action Items:

1. Staff to follow up with investigating how to install a Power Quality Meter on Chair 6.
2. When received, staff will share Exponential's further analysis with Vail.
3. Staff will draft a plan to maintain compliance with the District's Electric Rules & Regulations (IEEE 519).
4. Staff will analyze Brunel Corp's inspection data and Vail's Power Quality Report when received.

5. Staff will identify locations on each feeder for long-term monitoring.

9.k. AGENDA ITEM:

Discussion and Possible Approval of Resolution 15-03 Supporting El Dorado Irrigation District's March 13, 2015 Streamflow Variance Request to Help Manage Caples Lake Reservoir Storage in Response to the Ongoing Extreme Drought Conditions in 2015. *Manager Sharp*

Manager Sharp reported that Caples Lake is operated by the El Dorado Irrigation District (EID) under Decision 1635 of the State Water Resources Control Board as part of FERC 184. EID regulates the discharge from Caples which is mandated by downstream needs including consumptive, recreation and wildlife habitat. As a result of the ongoing drought, EID's forecast models indicate lake level targets starting in June will not be met, as well as the November 30th storage objective of 13,000 acre feet. This forecasted failure to meet this objective triggered EID's request to FERC for modified streamflow to help manage and conserve reservoir storage. If EID's plan is approved, Caples should stay between 10,000-14,000af over the summer, and be at 8,000af by November. In support of this request, the District's Resolution 15-03 endorses EID's March 13, 2015 Streamflow Variance Request. A motion was made by President O'Grady to endorse EID's efforts in this regard, and seconded by Director Dornbrook, the motion passed by the following vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

9.l. AGENDA ITEM:

Discussion and Possible Approval of Resolution 15-02 Continuing the Kirkwood Meadows Public Utility District's Water Alert System Stage Two due to Current Drought Conditions. *Manager Sharp*

Lead: Operations/Capital Committee

Manager Sharp reported on the District's Current Status: Aquifer level is at 128 feet; last fall it was in the 140's, dropped to 99 over Christmas and recharged.

Governor Brown issued an Executive Order directing the State Water Resources Control Board to impose mandatory water usage restrictions to achieve a statewide 25% reduction in potable urban water use through February 2016. The State Board plans to adopt the following new regulations applicable to small water suppliers:

1. Achieve a 25% water use reduction as compared to 2013 water use.
2. The District would be required to provide a one-time report to the State addressing at a minimum: potable water production from June-November 2013 and June-November 2015; number of days per week outdoor irrigation is allowed; other restrictions implemented to achieve a 25% water use reduction; and specific restrictions on commercial, industrial and institutional (CII) water use.
3. Compliance would be based upon whether a small water supplier submitted the required data and met the 25% reduction.
4. If a supplier fails to comply, the State Board may pursue enforcement through warning letters, issuance of cease-and-desist orders, and assessment of administrative civil liabilities up to \$10,000 per day of noncompliance.

Manager Sharp presented a slide showing actual 2013 water usage, actual 2013 usage less 25%, and the budgeted 2015 water use. Staff recommends that the District:

1. Continue a Public Awareness Campaign on water conservation (newsletter, website, etc.).
2. District staff to revise the restrictions in the Water Stage Alert System to more fully comply with the new State regulations.
3. Dramatically reduce the District's own water usage including once a week watering when needed on public landscaping and limit flushing of water and wastewater systems.
4. Staff recommends that the Board approve Resolution 15-02 containing the Stage 2 Alert.

Staff will need to model Water/Wastewater Budget with water use reduction.

Resolution 15-02 continues the Water Stage Alert System and Exhibit A includes specific restrictions for the various Water Stage Alert levels.

Director Dornbrook motioned to approve Resolution 15-02 to continue water restrictions. Seconded by Director Richert, the motion passed by the following vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

9.m. 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 reported that the District was recently contacted by an attorney representing Vail to discuss an alternate surface water rights approach, rather than the District filing a new petition for assignment of a State filing to divert surface water from Caples. Vail holds two permits to store and divert water for snowmaking purposes, however they do not utilize their rights under the second Permit, and propose transferring it to the District. Consulting Engineer Nick Bonsignore will be providing a memo detailing pros and cons of this proposal which will be presented at the next meeting. Should the District decide to pursue filing of a new petition, the revised Project Description has been approved for distribution. Staff will include an Executive Summary that stresses the need for the project and include portions of the Service Capacity Analysis as appropriate. Staff was directed to research when a source water project would be needed based on conservative growth, also to be included in the Executive Summary.

9.n. AGENDA ITEM:

Discussion and Possible Action Regarding the Proposal to Change the District's Snow Removal Services Operation to a Property Related Service. *Manager Sharp*

Lead: Snow Removal Services Committee

Manager Sharp stated that a broad range of comments were received from homeowners regarding the proposal to convert the current snow removal services operation to a property related service. Comments were pared down to a manageable list of the "top 5" consisting of the most commonly

stated reasons to either maintain the current system of individual contracts, or change to the new system. Staff will distribute all comments received on this issue to the Board members.

Next Steps:

1. Develop a clear narrative for distribute in June focused on comments received.
2. Following the narrative, a Customer Survey will be distributed after the July 4 HOA meetings.
3. Determine ways and dollars which might be saved over the current system (admin and operational).

9.o. AGENDA ITEM:

Discussion and Possible Action Regarding Kirkwood Capital Partner's Planned Parking Lot Planned for the Lot Adjacent to the Wastewater Treatment Plant and the Meadow. *Manager Sharp*

Lead: Planning Committee

Manager Sharp reported that Kirkwood Resort Development (KRD) has proposed re-zoning the old school site parcel to the north of the Wastewater Treatment Plant and converting it to a parking lot for the Resort. This topic was discussed at the TC-TAC meeting held on April 10th with good community participation. District submitted a list of questions; TC-TAC continued the item to allow KRD to respond and provide additional information, alternative analyses, justification, etc. Staff will write a follow-up letter to TC-TAC on this parking issue and will continue to be involved in the public review process.

9.p. AGENDA ITEM:

Discussion and Possible Approval of Proposal to Install a Verbatim VSS-8C Autodialer Alarm Notifier to Replace Existing Chatterbox. Total Project Expense = \$5,000.00. *Manager Sharp*

Lead: Operations/Capital Committee

Assistant Manager Ansel reported on the need to replace the alarm autodialer at the Wastewater Treatment Plant at a cost not to exceed \$5,000.00. President O'Grady motioned to approve the purchase and installation of the Verbatim VSS-8C Autodialer Alarm at the Wastewater Treatment Plant. Seconded by Director Ende, the motion passed by the following vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

9.q. AGENDA ITEM:

Discussion and Possible Approval of Revision to On-Call Policy for District Staff. *Assistant Manager Ansel*

Lead: Personnel Committee

Assistant Manager Ansel gave a report on the need to change the On-Call emergency staff response system. Due to the lack of Fire Department volunteers during the summer months, there is a need to expand available resources to include year-round staff members. This change will also standardize the pay and procedures between all of the departments.

President O'Grady made a motion to approve the new On-Call policy as presented and requested staff to report back to the Board in three months on financial and operational impacts. The motion was seconded by Director

Ende and passed by the following vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8. AGENDA ITEM:

General Manager Report

Manager Sharp reported on the following:

1. Caples Creek Ecological Restoration Project. Manager Sharp reported on the USFS's plans for a prescribed burn to the north of Kirkwood along the Caples Creek Watershed. Staff will be commenting on this plan to the USFS.
2. Highway 88 Paving. Manager Sharp reported that CalTrans is accepting proposals for a repaving project on Highway 88 from east of Silver Lake to Red Lake. This could be a 2-1/2 month project.
3. Caltrans Encroachment Permit/Training. Manager Sharp reported that the District has received a revised Encroachment Permit from CalTrans for work to be done along Highway 88. CalTrans will be meeting with District staff on safely working in the highway corridor.
4. Erosion, Out Valley Line. Manager Sharp reported on some erosion issues with the underground portion of the Out Valley line.

10. COMMITTEE REPORTS:

- a. Planning. Bob Ende
All items covered.
- b. Finance. Bob Epstein
All items covered.
- c. Operations/Capital Projects. Peter Dornbrook
All items covered.
- d. Personnel. Standish O'Grady
President O'Grady reported on the recent Personnel Committee meeting and stated that the District would be joining an Employee Assistance Program offered through ACWA/JPIA.

11. GENERAL DISCUSSION: None

12. ADJOURNMENT: The meeting was adjourned at 11:26 a.m.


Secretary ms

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