

MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, MAY 9, 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 Michelle Gamble from RCI and Terry Woodrow, Alpine County Supervisor to the meeting.

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), Terry Woodrow (Alpine County Board of Supervisors) and Michelle Gamble (RCI).

MEMBERS ABSENT: None.

ORAL COMMUNICATION
/PUBLIC INPUT:

Manager Sharp reported on the Out Valley power outage experienced on Thursday May 7, 2015. Manager Sharp reported on the response by District staff and equipment problems associated with the outage. Manager Sharp stated that staff would be following up on:

- What caused the PG&E transient fault?
- Why didn't the 115kV breaker (#152) at KM Green reclose automatically? (PG&E issue)
- Why did the Power House Gen Set #1 fail?
- Repair exhaust leak discovered on Power House Gen Set #2.
- Revisit shutting down step up transformers for the CATS at the Power House.
- Why did WWTP JD Gen Set #1 fail?
- Repair VFD issue with Filtrate Pump #3.
- Resolve communications issue with SCADA

Manager Sharp commended District staff, in particular Manager Benson and Shawn Kennedy for their quick response time.

CORRECTIONS TO THE AGENDA
OR CONSENT CALENDAR:

Director Ende motioned to approve the Consent Calendar.

Seconded by Director Richert, 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: 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 March Financials, April Forecast and Cash Flow and answered questions from the Board. Manager Sharp reported on cost saving moves already in place, and additional cost saving moves currently under review.

Manager Sharp reported on a letter sent to RUS on the 2014 District Financial Results and TIER ratio coverages.

9.b. AGENDA ITEM: Discussion and Possible Action Related to the Overbilling of Electric Charges to Vail Resorts for Chair One Operation. Manager Sharp reported on an issue with the Chair One meter usage calculation resulting in the overbilling to Vail Resorts. Manager Sharp recommended that the District apply a credit to this account in the amount of \$7,435 per month over the next 29 months which is the same period as when the overbilling occurred. Manager Sharp explained that this is the same system used in previous billing credits and debits.

President O'Grady motioned to approve the credit plan for Chair One as presented by staff. Seconded by Director Epstein, the motion was carried by the following vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

9.c. AGENDA ITEM: 2016-2020 Budget Planning, Board Review of Final Draft, with Balance Sheet and Five Year Cash Waterfall.

Lead: Finance Committee

Assistant Manager Campbell presented the Balance Sheet, Income Statement and the projected Cash Waterfall for the 2016-2020 District Budget and answered questions from the Board. Staff were directed to:

1. Look into the timing of the proposed propane rate increase.
2. Organize a Budget Session Board Meeting to be held at the Community Services Building on June 12, 2015 at 3:00pm.
3. Change Personnel Committee Meeting time to 2:00pm on June 12, 2015.
4. Look into why Salaries and Wages were going down in later years.

9.d. AGENDA ITEM: Discussion and Possible Action Regarding the Final Issues and On-Going Maintenance Associated with the Out Valley Power Line Project. Michelle Gamble gave the Board an update on the remaining close out tasks related to the Out Valley Project. Michelle Gamble reported on erosion issues encountered on one of the District-maintained access roads and District staffs repair efforts. The annual meeting with the Forest Service regarding the 2015 maintenance plans is scheduled for June 2015.

Manager Sharp recommended Board approval of the following close out items associated with the Overhead and Sub-Station portions of the Out Valley Project.

1. Director Richert moved to approve the Certificate of Completion (RUS Form 187) Related to the Out Valley Overhead Construction Contract Between Wilson Utility Construction Company and the District and Authorizing President of the Board to Execute. The motion was seconded by President O'Grady and passed by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

2. Director Ende moved to approve the Notice of Completion (CA Civil Code 8180-8190, 9200-9208) Related to the Out Valley Overhead Construction Contract Between Wilson Utility Construction Company and the District and Authorizing

President of the Board to Execute and Record. The motion was seconded by President O'Grady and passed by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

3. Director Richert moved to approve the Wilson Utility Construction Company's Contractor's Application for Payment No. Nine Representing Final 5% Retention in the Amount of \$467,802.46 in Relation to the Out Valley Overhead Construction Contract. The motion was seconded by Director Ende and passed by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

4. President O'Grady moved to approve the Certificate of Completion (RUS Form 187) Related to the Out Valley Sub-Station Construction Contract Between Wilson Utility Construction Company and the District and Authorizing President of the Board to Execute. The motion was seconded by Director Epstein and passed by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

5. Director Richert moved to approve the Notice of Completion (CA Civil Code 8180-8190, 9200-9208) Related to the Out Valley Sub-Station Construction Contract Between Wilson Utility Construction Company and the District and Authorizing President of the Board to Execute and Record. The motion was seconded by President O'Grady and passed by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

6. President O'Grady moved to approve the Wilson Utility Construction Company's Contractor's Application for Payment No. Ten Representing Final 5% Retention in the Amount of \$119,028.07 in Relation to the Out Valley Sub-Station Construction Contract. The motion was seconded by Director Ende and passed by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

Michelle Gamble 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, Underground final requests for payments of the 5% retentions, the Underground Notice of Completion and other required paperwork to the next Board meeting.
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 Cal-ISO to KM Green and is vital for protection, etc. After reviewing the Plans staff has written a letter and met with Q&D Construction detailing results of the District's overall system inspection and requesting a timeframe 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 110kV backup for KM Green's Control Building, the meter has been installed and the service is now live. Staff is reviewing the PG&E costs associated with this project.
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; and Caltrans has identified a location for subsequent repairs. Staff is waiting for a proposal from Q&D to complete the work. Staff is pursuing a claim against Caltrans based on non-disclosure of French drains in the construction area.

9.e. 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.f. 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. System Impact Study. Manager Sharp reported that the preliminary System Impact Study has been received and will be distributed to

the Board. The System Impact Study (SIS) is a general feasibility study of the project. . The Study should be completed by May 26, 2015. Once complete, if the report is favorable, a Facilities Study (estimated cost of \$125K) would be initiated which gives more specific information on the exact equipment to be used and probable costs.

RUS Supplemental Loan. Manager Sharp stated that if the Board decides to proceed with researching a RUS loan for the cost of the project, the first step is to determine if the SIS has sufficient information for an Electrical Engineer to complete a Construction Work Plan (CWP) describing the Switch Station Project and any other possible improvement projects. If the SIS is inadequate, the CWP would wait until the Facilities Study is complete. Either way, once the CWP is complete, the environmental process based on the CWP would begin. This could entail a letter to the file based on the existing EIR/EIS, a Neg Dec or an Impact Study. The Financial Forecast would then be prepared based on current load forecasts. These three documents would make up the Loan package to RUS. Given the time of the year it is doubtful this could be accomplished prior to the Fed fiscal year end of Sept 30, 2015. 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.

9.g. 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 on the Performance Reporting for each Department for the month of April 2015 and Year to Date Totals. The Action Items for each Department were discussed and adjusted as needed. The Board asked that:

- Propane – Staff to research lowering the meter unit from the current 100cf to a smaller unit for residential customers. Possibly this can be accomplished during the annual 10% meter change out.
- Staff to research and report on the incremental cost of providing a cubic foot of water and treating a cubic foot of wastewater.

9.h. AGENDA ITEM:

Discussion and Possible Approval of Resolution 15-05 and Bill of Sale for the Timber Creek Townhomes Development Accepting the Infrastructure Improvements.

Lead: Operations/Capital Committee

Manager Sharp reported that on October 25, 2013 the District entered into a Developer Agreement with Martin Point, LLC, a subsidiary of Kirkwood Capital Partners, to build a total of 24 townhomes over three phases in this new subdivision known as

Timber Creek Townhomes.

Phase 1 includes a total of 5 units in Buildings A and B, of which two 3-bedroom units in Building B are now complete. Phase 1 also includes the infrastructure improvements for Buildings A, B, G and H, or 11 units in total. The Final Map, which was approved by the Amador County Board of Supervisors on April 14th, includes the 5 units in Phase 1 and the infrastructure for 11 units, as well as Timber Creek Drive and Driveway B which serves Buildings A and B.

Manager Sharp went through the items which have been completed satisfying the terms of the Developer Agreement.

Manager Sharp stated that staff recommends the Board approve Resolution 15-05 based on the General Manager's acceptance of remaining final issues:

- Successful installation of the transformer.
- Developer's Cost of Work to be amended to include cost of the transformer wire, and verify connection points. Need confirmation that Cost of Work includes Timber Creek Drive and Driveway B.
- Maintenance Guarantee will be adjusted upwards to include the cost of the transformer and wire.
- Confirm Bill of Sale accurately reflects the Defined Work.

President O'Grady moved to approve Resolution 15-05 and Bill of Sale for the Timber Creek Townhomes Development Accepting the Infrastructure Improvements contingent on the General Manager's acceptance of the final improvements and documentation. The motion was seconded by Director Ende and passed by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

9.i. AGENDA ITEM:

Discussion and Possible Approval of Resolution 15-04 Revising the Kirkwood Meadows Public Utility District's Water Alert System Stage Two due to Current Drought Conditions.

Lead: Operations/Capital Committee

Manager Sharp stated that 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

District will either need to reduce consumption by the 25% mandate or reduce irrigation use for all customers to two times per week.

Manager Sharp presented a revised Water Stage Alert System which closely complies with the State's new regulations. The Board stressed the need to inform the public of the restrictions and that the District can now track usage on a daily basis

Director Dornbrook motioned to approve Resolution 15-04 Revising the District's Water Stage Alert System as presented by staff. Seconded by President O'Grady, the motion passed by the following vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

9.j. 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.

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. 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.

9.k. 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 the Snow Removal Services Committee has met twice and developed a list of reasons to pursue a property related Snow Removal Services format and a list of reasons to stay with the current contract based system. Manager Sharp went over the current Action Items:

1. Develop a clear narrative for distribution 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).

Director Epstein stated that after researching this proposal over the last several months it appears clear that the largest risk is to the District because of the limitations on adjusting rates set by Proposition 218. If the District sets rates at an amount high enough to cover the risk of a big winter, the rates would be so high they would not be acceptable to the Associations. If the rates are set too low and Kirkwood has a big winter, then the District has to go through the election process to raise the rates. Manager Sharp concurred, stating that the risk was not worth the potential administrative savings.

It was the consensus of the Board to:

- Continue the discussion of Snow Removal Services in the Planning Committee, possibly including multi-year contracts.
- Director Epstein to inform the Snow Removal Services Committee of today's discussion and refer the issue to the Planning Committee and disband the Committee.
- Direct staff into the creation of a "Snowy Day Fund" and return to the next meeting with a recommendation.

9.I. 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.

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 has written a follow up letter to TC-TAC on this parking issue and will continue to be involved in the public review process.

Director Epstein recommended that the Board send an email to the community requesting their support of the questions and concerns raised by the District and offering them to make comment. The Board directed staff to work with Director Epstein on this communication.

8. AGENDA ITEM:

General Manager Report

Manager Sharp reported on staff's investigation into Water Reclamation, the Consumer Confidence Report and the Kirkwood All Mountain Clean-up.

Assistant Manager Ansel reported on plans for the Kirkwood Summer Festival.

Manager Sharp reported that a community member had brought up the need to clean up the stored equipment on KCP's school site. Manager Sharp will work with KCP on a question raised on the ownership of the stored equipment. The Board suggested that the public be informed as to the ownership of the stored equipment.

