

MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS
KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT
SATURDAY, JUNE 13, 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. Director Ende is participating via teleconference; due to this all voting must be done by Roll Call. Public, please identify yourselves when making comments. Thank you.

MEMBERS PRESENT: President O'Grady, Directors Ende (via conference call), 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), George Stahl (KPS), and Community Members Nancy Trevett and Judy Flinn.

MEMBERS ABSENT: None.

ORAL COMMUNICATION

/PUBLIC INPUT: Nancy Trevett thanked the Board for holding the June 12th Budget meeting.

CORRECTIONS TO THE AGENDA

OR CONSENT CALENDAR: Manager Sharp stated that Staff would like to pull Item 3 Bad Debt from the Consent Agenda, and Items 8.c.i.1. Q&D Retention and 8.c.iii. Highway 88 Repairs from the Regular Agenda.

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

8.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 presented the April Financials, May Forecast and Cash Flow and answered questions from the Board. Manager Sharp stated that, as has been discussed at the beginning of each Board meeting for several months, the District is placing a strong effort on reducing expenses through many areas. A discussion ensued.

Manager Sharp welcomed any suggestions to help improve the efficiency of District operations.

8.b. AGENDA ITEM: 2016-2020 Budget Planning, Board Review and Possible Approval of Final Draft, with Balance Sheet and Five Year Cash Waterfall.
Assistant Manager Campbell

Lead: Finance Committee

Assistant Manager Campbell presented a final draft of the 5-year budget for comment. Some of the key assumptions include a continuing drought, a modest 0.5% annual growth, and reducing fixed expenses to minimum operating levels with no capital improvements for 2016.

Assistant Manager Campbell went over the strategies for the use of Property Tax revenues. A discussion ensued.

Manager Sharp reported that the District's business model has changed with the Out Valley project. The District has traded the variable and volatile diesel expense for a predictable debt service. Set expenses such as Debt service, Power Costs and PG&E O+M costs are now the great majority of Total Expenses. Operating Expenses have come down due to cost saving measures and the reduction of staffing at the Powerhouse.

Manager Sharp stated that the current budget rolls over the RUS loans which become due during the term. These loans have a no cost option and the District would not have to apply for a new loan to finance the Switch Station project. The term and corresponding interest rate will be determined by the Board at the rollover date, the first in December 2017. For presentation purposes the budget reflects a 35-year term at 4% interest rate.

President O'Grady discussed the review process of the budget through the Finance Committee and the Board over the last six months and complimented Assistant Manager Campbell on the effort. A discussion ensued.

President O'Grady motioned to approve the 2016-2020 Budget

based on requested modifications. 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

8.c. AGENDA ITEM:

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

Staff continues to work on closing out the Out Valley project including finalizing:

- As-Builts
- Retention Payments
- Close Out Permits
- Prepare Final Contract Paperwork
- Record Notices of Completion

Operations and Maintenance Plan. Manager Sharp reported that staff has recently met with the USFS regarding the first season of maintenance since completion of the Out Valley Power Line. The level of participation with the Forest Service as the District performs various operational and maintenance activities was discussed. The District will need to submit a Work Plan of planned maintenance activities each year.

Manager Sharp reported that the District performs monthly inspections of the entire line with written documentation. The District has recently done some work to stabilize erosion along an access road where the Underground line was constructed in 2013, although noticeable effects did not appear until this past winter of 2014/15 as a result of two rain events.

RCI will develop a summer Work Plan that will include a narrative description of the activities, as well as shape files, location maps, and any previous applicable studies and submit as one proposal to the Forest Service for review by their specialists in archeology, botany, etc. as necessary. The Forest Service will need 30 days for review and response, which will note any restrictions that may apply. The Work Plan will require annual review and approval by the Eldorado National Forest.

Director Ende requested that District staff time be tracked on timesheets and included in the ongoing Out Valley maintenance costs.

8.c.ii. AGENDA ITEM: Fiber Line Update. Manager Sharp reported that in early March the District was notified that the fiber optic line between the KM Blue and KM Green substations was not working. The District was able to mobilize Edge Communications to the site and determine that there was ice in the fiber optic conduit in the section that crosses the Silver Lake Bridge.

The District has met with Q&D, Titan, Edge, RCI and EEC and determined that:

- Edge will do the fiber work;
- EEC identifying products to be used in repair;
- EEC and District will do inspections;
- Still looking for a repair date from Q&D/Edge; and
- Withholding Q&D Retention Funds;

Steps to repair the Fiber Optic line include: water-purge conduits, seal conduits, cap spares, install weep holes and splice protection.

8.d. 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 Board requested a total of all engineering costs including Exponential and Power Engineers compared to PG&E's engineering costs.

Out Valley Cost Forecast. Manager Sharp stated that the District is working with PG&E on the final "true up" of their costs associated with the Out Valley Project. Their current estimate shows a \$228,000 increase over previous estimates due to two factors:

1. An increase in the substation testing and review in the amount of \$110,536.
2. The second factor contributing to this increase was the costs of the initial System Impact Study and Facilities Study of \$117,484. In reconciling the books, District staff found that the overall totals submitted by PG&E did not match due to these expenses. PG&E bills on a bulk basis, so it is difficult to tell what specific costs are included until the true-up process. Total costs of PG&E for the project are estimated to close at \$5.7M with \$789,000 in ITCC costs for a total of \$6.5M, 17% of total project costs.

Manager Sharp stated that the District is waiting on a determination letter from RUS regarding the Powerhouse depreciation issue.

8.e. AGENDA ITEM: Discussion and Possible Action Relating to District's Efforts to Comply with PG&E's Transmission Interconnection Handbook. Manager Sharp stated that the District continues to work with PG&E on several issues, a response to the District's request for information on the Sub-Station Cost of Ownership, what was existing, and what improvements were made to make the maintenance determination. District has received a diagram from PG&E but need to get technical teams to determine specifics. District has requested a meeting with

PG&E to discuss this and the evaluation of risks and benefits of the Switch Station Project, Board Members to be involved.

The revised System Impact Study has been received and comments submitted. The Study should be completed by June 2015. Once complete, if the report is favorable, a Facilities Study (estimated cost of \$125K) could be initiated which gives more specific information on the exact equipment to be used and probable costs. PG&E has mentioned the possibility of not completing the Facilities Study and going straight to the Engineering Study. Due to concerns of having to redo work because of design changes, the District feels it important to complete a portion of the environmental scoping with the Forest Service and preliminary design before we proceed with an Engineering Study.

Environmental could be a letter to the file based on the existing EIR/EIS, a Neg Dec or an Impact Study. The District continues to work with PG&E to determine the next steps.

8.f. 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 Benson reported on the Performance Reporting for each Department for the month of May 2015 and Year to Date Totals. Regarding Harmonics, the District will continue to work with EEC on analysis of chairlift data and place on the next meeting's Agenda.

The Board asked that the 10% Out Valley line loss be analyzed to determine causes of the relatively high rate, as well as determining the percentage loss per feeder.

8.g. AGENDA ITEM: Discussion and Possible Action Regarding the Treatment and Flow Rate of Well #2 of the Community Water Supply.

Assistant Manager Ansel provided a chart showing aquifer levels and the amount of water pumped from each well during the month of May, with Well #2 producing a total of 243,400 gallons. Total volume of water pumped was 418,222 gallons.

Assistant Manager Ansel reported that with the increased pumping of Well #2, the water supply was becoming more acidic, requiring the addition of a minimal dosage of sodium hydroxide as has been done in the past. The application was recommended by the District Engineer and pre-approved by the State. Staff will keep the Board informed on this application.

8.h. AGENDA ITEM Discussion and Possible Approval of a Bill of Sale to Convey the Ownership of a Used Snowcat From Kirkwood Mountain Resort to the Kirkwood Meadows Public Utility District.

Assistant Manager Ansel reported that Vail Resorts would like to donate a used LMC snowcat to the District. This snowcat has been inspected by District staff and appears to be in reasonable shape. Assistant Manager Ansel discussed the beneficial uses of a snowcat for District

operations. A discussion ensued.

Director Dornbrook motioned to approve the conveyance of a used snowcat from Kirkwood Mountain Resort to the District. 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

8.i. AGENDA ITEM:

Presentation and Possible Action Regarding the Performance of the Snow Removal Services Department, Possible Approval of Credits for the 2015-2016 Season, and the Establishment of a Rate Stabilization Fund. Manager Sharp presented the preliminary Snow Removal financials for the 2014-2015 season. With the light snow a credit back to the Associations and the establishment of a rate stabilization fund is recommended. A discussion ensued.

President O'Grady motioned to approve contract credits for Associations participating in the 2015-2016 Snow Removal Services Program in the amount of 12.5% of the 2014-2015 contract amount and to establish a reserve fund from the excess snow removal revenues in the approximate amount of \$50,000 to boost the existing reserve fund and to create a stabilizing fund for future large snowfall winters. 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

8.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.

Manager Sharp reported that the District has been 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 has offered the assignment of one of their existing water right permits to the District since they are not utilizing it. Manager Sharp presented a memo from consulting Engineer Nick Bonsignore detailing the pros

and cons of this proposal. A discussion ensued.

Manager Sharp recommended that the District pass on this reassignment offer from Vail as the District is not in a position to perfect the application at this time and the water right would have more restrictions than a new water right permit.

President O'Grady motioned for the District not to accept the water right assignment from Vail. Seconded by Director Richert, the motion was carried by the following voice vote:

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

NOES: None

ABSENT: None

ABSTAINING: None

8.k. 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 Meadow.

Manager Sharp reported that at the last Board meeting staff was directed to work with Director Epstein on a letter to Kirkwood customers asking for their support of the District's concerns and questions related to KCP's proposed parking lot to be located on the existing school site. 281 homeowners joined the District in those concerns and many additional comments were received. These have all been posted on the El Dorado County's TC-TAC website. The June meeting of TC-TAC was cancelled and is now tentatively scheduled for July 10.

8.l. AGENDA ITEM: Discussion and Possible Action Regarding a Plan to Meet the Clean Up and Beautification Needs in the Kirkwood Valley.

Manager Sharp reported that staff was directed to work with KCP on a potential cleanup plan for the equipment stored on the school site. Staff has confirmed that none of this equipment belongs to the District and has offered assistance to KCP in the cleanup effort. Staff has also reached out to Vail and Volcano on clean up issues in the Loop Road area. A discussion ensued.

9. AGENDA ITEM: General Manager Report

Manager Sharp reported on:

1. El Dorado Irrigation District's Streamflow Variance Request.
2. Fish Stocking at Caples and Silver Lakes.
3. Water Alert System Stage Two Update
4. Timber Creek Townhomes.
5. KCP Change.

10. COMMITTEE REPORTS:

- a. Kirkwood Summer Festival. Assistant Manager Ansel updated the Board on the planning efforts for the Festival.
- b. Planning. Bob Ende
All items covered.
- c. Finance. Bob Epstein
All items covered.
- d. Operations/Capital Projects. Peter Dornbrook
All items covered.
- e. Personnel. Standish O'Grady
President O'Grady reported there is a Personnel Committee meeting scheduled on July 3, 2015 at 8:00am.

11. GENERAL DISCUSSION: None

12. ADJOURNMENT: The meeting was adjourned at 11:58 a.m.



Peter Dornbrook, Secretary

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