

January 7, 2011

Kirkwood Meadows Public Utility District
Board of Directors
P.O. Box 247
Kirkwood, CA 95646

Dear Members of the Board of Directors,

This letter presents the opinion of the Kirkwood community and represents 308 owners and 217 properties, including 141 owners and 102 new properties that did not sign the October 29th letter. While the most recent meeting on December 9 included an excellent presentation by KMPUD Board member Eric Richert, we are becoming concerned by the slow process and decision making in resolving the short-term and long-term power plans for Kirkwood.

There is strong agreement on the following:

1. “Out-valley” interconnection is the priority and future for Kirkwood. With rising diesel prices, the economics of power at Kirkwood will eventually be untenable.
2. “In-valley” costs need to be minimized and scaled to the reality that it is a backup power source once the interconnection to the grid is completed.
3. We all want affordable power, and the biggest risks are the future price of diesel and the debt service (it initially adds 1 to 1.2 cents/kwh for each \$1 million of borrowing)

We believe it is time for more transparency, more competition and a firm timeline for decision-making. We offer the following points:

1. **There is no financial plan.** KMPUD will need a minimum of three financings. The first two will be needed by mid-2011. The third will be needed by the time construction begins on the out-valley project. The first two will include a \$3M taxable financing for the purchase of Mountain Utilities and a tax-exempt bond of unknown size (\$9 - \$15M) to refinance existing borrowing and cover the costs of completion of the in-valley project.

Bob Haight has served KMPUD well as our Bond Counsel. We would like to see a presentation and a competitive bid for the financing. Cantella, FirstSouthwest and Raymond James have asked to compete for the business. Let’s hear what they have to say in an open, public process so we can ask questions and we can expand our knowledge of what we need to do to secure optimal rates.

Bonds are either “unrated” (i.e.; very expensive), or “rated” by credit rating agencies (see Wikipediaⁱ). Both First Southwestⁱⁱ and Raymond Jamesⁱⁱⁱ believe it may be possible for the District to get a “BB” rating, or with significant work, there is a chance of a better “BBB-“ rating. The difference in these choices can mean a 20% difference in the cost of financing. Time is running out. Outside bond

underwriters have offered to help, and we think we should take that help. **The primary factor in our power rates is the amount of borrowing and the interest rate.**

2. **The Decision Process for In-Valley needs clarity.** Mountain Utilities (MU) contracted electricity generation for this season with a third-party (Power Secure) who provides a single point of accountability and provides all of their services for a fixed price. MU made that decision because it offered the lowest rates, least use of capital and lowest risk. We think KMPUD should use the same approach initially with appropriate safeguards to make sure any third-party can meet quality and reliability requirements. While hard working, current KMPUD Staff cannot be expected to have the technical expertise in designing and managing a power plant. This is a huge undertaking; one that we believe is best done by a third-party entity that has long experience in doing this and can save us millions of dollars through their knowledge and economies of scale.

We would like to see the current valley vendor – Power Secure – as well as Holt, if that is appropriate, present competitive plans for a variety of engine choices (Caterpillar, Volvo or others). Having a single point of accountability will give us the best chance of avoiding mistakes. We would also like to see negotiations with outside parties coordinated among KMPUD, KMR and members of the community in order to reduce costs for the in-valley powerhouse and entire project. Such a process might have reduced the \$3.65 M spent to date on the new powerhouse and prevented the need to consider the recent proposal to put the interconnection sub-station inside unused portions of the new building - which would increase costs.

3. **Expansion of KMPUD Staff.** KMPUD is undertaking a mammoth, multi-year project on our behalf. We think they need to augment staff with a dedicated employee/contractor with proven experience in managing power systems. We respect and admire the current staff but think that we need to think long-term.
4. **Firm Timeline.** Projects normally have a written project plan and a firm timeline for decision-making. The public meetings to date have been informative, and we appreciate all the efforts of the staff and Board. We are rapidly running out of time. The District needs to present a complete plan with community access to the sources of the data. We would also add that there are many talented members of the community with direct experience who could assist.

We appreciate the hard work you have done to date and respectfully request a reply to our recommendations.

Sincerely,

Bob Epstein & Amy Roth
142 Glove Rock Rd

* Cliff and Ann Johnston
50832 Merrill Rd

Standish & Anne O'Grady
506 East Meadows Drive
EM lots 215 and 216

* Jim and Patti Plummer
Meadowstone Lodge #202

* Larry Marcus
Meadowstone Lodge

* Tony Tucher
510 Larkspur Drive
EM lot 505

* Melissa Buckley and Raj Atluru
735 Columbine Circle

* Chuck and Laurie Deleot
* Dick and Sandie David
Base Camp 36 and West Meadows 142

* John and Lynne Austin
34240 Fremont Ct

* Bruce and Grace Valentine
Lost Cabin #8

* Thomas Burdon and Eva Weinlander
150 East Meadows

* John Schroeder
855 Columbine

* Rick & Jani Frey
Lot 35

* Monte and Beth Ikemire
34236 Fremont Rd

* Jordan & Tracy Coleman
138A Yarrow Pl.

* Richard & Stephanie Arri
Edelweiss #2

* Mark and Kevin Beckstead
360 East Meadows Drive

* Bob Goland
BaseCamp #7

* Alan Norman and Ellen Ablow
34056 Yarrow Place

* Rachelle and Art Taylor
The Meadows #125 and 126

* Roberta Foliart and Tom Russell
114 Fremont

* Bruce Gianola & Cheryl Stern
Lost Cabin #4

* Carrie Anderson
East Meadows Lot 408

* Duane & Donna Walstrom
Snowcrest #213

* Kurt Klein
Edelweiss # 22

* Julie & Dan White
212 E. Meadows Dr.

* John Goble
Edelweiss #21

* Don Nomura and Kristin Laxalt
152 East Meadows

* Raejean Fellows
464 East Meadows Drive

* Jill and Geir Ramleth
155 Sorrel Court

* Lonney & Lane Sennett
Mountain Club #325 & EM Lot 307

* Hans and Eleanor Traeg
33924 Fremont Rd.

* Patrick O'Neill
Meadowstone #107

* Kevin Blackwell
34051 Dangburg Rd.

* Spencer & Rena Fulweiler
Mountain Club 302

* Connie & Bill Riley
50976 Wintergreen Way

* Len Mooney
Base camp 27

* Chris & Lisa Tow
Mountain Club 313/315 - 1/4 ownership

* Daniel & Connie Lawson
1120 Kirkwood Meadows Dr. #210 1b

* Joel and Charlene Reimnitz
Mountain Club #201

* Mary & Mike Carusi
51081 Sentinels Way

- * Sean and Kim Mulvihill
34180 Yarrow
- * Luke Russell
Mountain Club #319P
- * Graham Simmons
34081 Dangberg
- * Dr. Tom and Shannon Fallon
566 E Meadow
- * Alan Fleming
10 Cornice Court
Sentinels West (8 properties)
- * Peter and Ruth Ann Baltay
1255 Palisades Drive
- * John & Marissa Moran
Snowcrest 207, Timber Ridge 214, 205
& 213
- * Jim Cunningham
Timber Ridge 209, 210 & 204
- * John Burbank
Timber Ridge 208, 207 & 211
- * Andrew Cummins
Timber Ridge 114
- * Patrick and Catherine Lee
Mountain Club
- * Bernadette & Jeff Clavier
51089 Sentinels Way
- * Ilan Kroo
13 Lost Cabin
- * Ramiro Zuniga and Nicole Carbo
34099 Yarrow Pl
- * Michael & Cindy Morsilli
Whiskey Tower, Unit 210
- * Gregory and Jocelyn Hall
20 Cornice Court, Mountain Club
228/230 III
- * Greg & Nancy Shriver
Lost Cabin #9
- * Amy Duxbury & Dawn Harms
Sun Meadows, # 210
- * Anne-Flore Perroud
BaseCamp 40
- * June King
The Meadows #213
- * Lyle and Elizabeth Eastman
970 Kirkwood Meadows Dr #1
- * Pia Lodberg and Takato Umeda
50852 Fremont Court
- * Michael B. Dillon
705 East Meadows Drive
- * Sue Bollinger
Edelweiss #7
- * Tim and Ann Marie Louis
Sun Meadows 1 #204
- * Leslie Fuchs
Lot 88.
- * Janet and Michael Canning
325 Larkspur and Lot #604
- * Geoff and Melene Smith
Lot 149A
- * Bruce and Karen MacDonald
33999 Fremont Drive
- * Michael D. Lyons
The Meadows #215
- * Stefan Zier
Edelweiss #19
- * Matt and Nell Petri
Base Camp #47
- * George Pierce
33981 S. Freemont Rd.
- * Charles Buxton
33921 Dangberg
- * Cass Apple
Thimblewood #5
- * Brad Whaley and Suzy Nassralla
Lost Cabin #7
- * Detlef and Chris Kutzscher
1050 Kirkwood Meadows Drive #10

* Walter and Ulrike Sujansky
Timber Ridge #102
Sun Meadows 3 #105

* Jon and Pam Shields
1015 Columbine Circle

* Larry and Pat Dold
Timber Ridge #106

* George and Marjorie Mader
Sun Meadows

Judy and Steve (*) Flinn
33800 Dangberg Drive

Bruce and Lisa (*) Lawler
378 East Meadows Drive

Patrick Gordan & Patricia (*) Nakache
1511 Kirwood Meadows Dr, #720

Richard and Wendy (*) Slepian
1120 Kirkwood Meadows Dr. #120 1/8
ownership Mountain Club

Jeff Krueg & Theresa (*) Krueg
825 Columbine Circle

Jim and Diane (*) Ansel
940 Columbine Circle

Peter Farmer & Krisa (*) Van Meurs
120 Glove Rock

Dave Weir
262 Palisades Drive

Brett and Ellyn Weisel
267 and 285 Palisades Drive

Josefa and William Buckingham
216 East Meadows

Mike Moone & Jan Soderstrom
Meadowstone Lodge # 403

Ken and Donna Wirt
Timber Ridge #109

Agnes and Bertrand Perroud
33986 Fremont Rd

Rick Holmstrom and Kate Ridgway
604 East Meadows Drive

Pat and Berniece Patterson
1035 Columbine Circle

Rajiv and Sumita Dutta
445 Larkspur

William Dean Donovan & Vanessa
Maren
145 Glove Rock Rd

Paul Blanke
33819 and 33823 Hawkweed

Mark and Lou Heine
955 Columbine Circle

Phyllis & Ted Jones
33805 Dangberg Drive

Kip & Kate Sheeline
205 Sorrell Court

Michael Schuman and Linda Membreno
Sun Meadows #2

Preston and Katie Roper
33838 Hawkweed

Phil & Sharon Lindsay
43 Dangburg

Gary and Elaine Sargent
33852 Fremont Rd

Dave and Heidi Welch
115 Sorrel Court

Steve & Robin MacDonald
970 Columbine Circle

Robert & Sandy Goldberg
347 Larkspur Drive

Robert and Theresa Ende
12 Heather Court

James C. Anderson
Meadowstone #406

Walter and Helen Roosli
39 Dangberg Drive

Steve and Wendy Harrity
Meadowstone Lodge #108

Dave and Dayna Nielsen
1511 Kirkwood Meadows #310

Fred & Betty Crews
243 Larkspur
EM lots 418 and 420

Bruce Odelberg
33900 Dangberg Drive

Randy and Lori Livingston
118 & JR 807 Glove Rock

David and Loretta Hickox
Edelweiss 13 & Lot 111 Fremont Ct

Mike and Lisa Hodgson
30 Aster Court

Allan Erbes & Vikki Pachera
920 Columbine Circle

Susan Connor and Bertrun King
Sun Meadows 2, Unit #304

Jeff and Karen Miller
143 Larkspur

Barry Templin and Thomas Engels
Meadowstone #213

Jeff, Julia & Seth Chanin and Karen
Lovdahl
895 Columbine Circle

Lisbeth (Libby) Culver
33920 Dangberg

Lou and Lucy Drapeau
322 East Meadows Drive

Greg and Susan Hawthorne
33824 Fremont Road

Pat and Jerry Kinnan
34163 Yarrow Place 119A

Gary and Elaine Gallaher
33951 Dangberg Drive

Wally & Roz Naylor
The Meadows #211 and #220

David Hannon
Lot 153 Hawkweed

Frank and Sandy Garcia
Sun Meadows II Unit 101

Jim and Karen Sacherman
34070 Yarrow Place

Bruce and Paula Lupatkin
240 Sorrel Court

Tod Francis and Bonnie Matlock
94 Larkspur

Sandy and Tim McFarren
302 East Meadows Drive

Minda and Rick Parrish
Snowcrest 104

Larry and Jane Solomon
45 Sorrel Court

Todd and Karol Messersmith
50812 Merrill Road

Patrick & Maureen O'Donnell
Meadowstone Lodge #303

Maud Gleason and Fred Holley
74 Dangberg Drive

Bob Walter & Nola Hague
34231 Fremont

Karin and Michael Beumer-Browner
279 Larkspur Drive, EM lot 422

David & Cyndee Milam
230 Sorrell Court

Peter Tuxen
282 Larkspur

Adrian and Vanessa Kayari
67 Larkspur

Jan Holland and Jim Hill
33961 Dangberg Dr

Gary & Leslie Little
120 Glove Rock

Scott and Kristin von Eschen
10 Aster Court

Paul and Andy Koontz
95 Glove Rock Road

Bob Williams
140 Glove Rock Road

Robert Carr
Meadowstone Lodge #402

Jim and Lisa Reilly
35 Cornice Court, Meadowstone Lodge

Jeff and Kathy Walters
34091 Dangberg Dr., EM lot 301

Richard Michelmore and JoAnne Fillatti
34100 Danburg Drive

Allan and P.J. Sapp
33770 Hawkweed Way

Charlie Ballantyne
34111B Yarrow Pl

Shirley Ballantyne
34120A Kirkwood Meadows Dr

Rich and Carolyn Williams
312 Larkspur

Jim Goetz Jr and Steve Goetz
475 Larkspur Dr.

Frank and Lisa Whatford
66 Dangberg Drive

Bill and Jane Jobe
33960 Dangberg Drive

Victor & Nancy Grgas
48 Dangberg

Mark and Karen Sambrailo
33901 Hawkweed Way

Gary and Cathie Elmasian
495 Larkspur Dr.

Pedro L. Lizaur
444 East Meadows Drive

Melita Figueroa and Peg Sipos
33931 Dangberg Dr.

Jim and Ronnie Mannos
546 East Meadows Drive

Greg Hanson
#14 Freemont Dr.

Penny & Charlie Finnie
Snowcrest Unit 202

Vic and Linda Drakulich
416 East Meadows

Sandy Sloan
65 Sorrel Court

* Indicates a new signer since the October 29th letter.

Additional Comments from Property Owners

(Note: These comments represent the views of the individuals and not necessarily the views of the other signers of this document)

Name	Comments
Peter Baltay	<p>I am a homeowner in Kirkwood. I wish to express my concern regarding the power plant replacement project and the proposed electrical system connection to the state electrical grid. As best as I can tell, it seems that the new power plant is being constructed to serve as a primary service power plant for Kirkwood's future electrical needs. Simultaneously, it seems that the electrical interconnection is intended to serve as the primary electrical service for Kirkwood in the future. I do not think we can afford both projects, and am concerned that we will end up with a new electrical generation plant and no grid interconnection.</p> <p>I respectfully request that you consider the following:</p> <ol style="list-style-type: none"> 1. Fully commit to the electrical grid interconnection project as the primary source for Kirkwood's electrical power in the future. 2. Scale back the power plant project to serve as a back-up facility only. 3. Determine the total cost for these projects and propose financing options to the community for approval. <ol style="list-style-type: none"> a. Bond issue for the entire project paid over time by an electrical rate surcharge, or; b. Pro-rata assessment of each property owner, including the resort. Owners could then either make a one-time payment, or pay for their share over time through KMPUD provided financing, secured by their property <p>You have worked hard to make the electrical grid interconnection project a reality. Please fully commit the KMPUD to this critical improvement; Kirkwood's future depends on your leadership.</p>
Anne-Flore Perroud	<p>I agree that it is high time for the KMPUD to regiment this process and begin considering cost, funding and timing in a consequential manner. I also agree that connecting to the grid is the best solution for the Kirkwood Community but, as Eric Richert presented, can be managed in such a way as to not overload this small valley with overwhelming costs which will sink the resort and us with it. As you have mentioned KMPUD needs to look very closely at their current in valley plan, and I would even go further and say that it may not be necessary for our community to burden itself with the construction of an in valley power plant if in fact we will have outside power soon.</p> <p>As we expect the power supply from the grid to be more reliable than our previous power supplier it seems redundant and</p>

	<p>impulsive to have a full power plant as back up for these rare occasions. Furthermore, in emergency situations for which we will need back up power, emergency temporary generators can be brought up very quickly. During the powerhouse fire the emergency generators arrived before the fire was even put out.</p> <p>It is my opinion that a small, minimal back up plant (such as the one KMPUD already operates) is sufficient to maintain essential systems for the limited outages we expect once connected to the grid.</p>
Mike Moone	<p>Further to the Energy issue here in Kirkwood I wanted to mention that in the past six days we have met at least 25 homeowners on the chairlifts and of course the subject of Power comes up quickly. Without exception the opinion is that the KMPUD board is not doing enough to resolve our power issues. The consensus is that the board is simply overwhelmed by the scope of the project and does not possess the relevant competence or experience when it comes to dealing with our energy future. Just as interesting is the fact that everyone I asked believes a referendum on the board is in order and that a new slate of potential members should stand for election.</p> <p>With the construction of multi-million dollar homes and condominiums and both residents and guests using new age devices like desktop work stations and servers, laptop PC's, DVD players, HDTV sets, mobile communications and iPad's the infrastructure has fallen behind in its ability to support the current lifestyle of Kirkwood residents and guests. Consequently, we need a board of directors at KMPUD who possess firsthand knowledge and experience with the technologies that will tax our infrastructure. Likewise we need directors who are experienced in the financing, construction and operation of the physical plant.</p> <p>From the day Kirkwood's Master plan was approved several years ago an Energy plan and task force should have been put in place. Instead we were all given the "warm and fuzzies" by the powers to be and now with the recent meltdown of the Mountain Utilities plant we suddenly have a crises on our hands. In my humble opinion the crises started years ago and in the ensuing time MU and KMPUD did not come up with a solution...now we are left waiting for a miracle and that just isn't going to happen. It is for this reason I believe it is in the best interest of all property owners at Kirkwood to initiate a referendum and recall of the KMPUD board and to move forward with the election of an appropriately qualified slate of potential directors.</p> <p>Let me know what I can do to help your efforts.</p>
Walter and Ulrike Sujansky	<p>Like others, our #1 concern is cost mitigation and the sense that PUD is charging ahead without sufficient forethought to what makes sense and is economical. I'm not sure what the board is thinking, but they need to be on notice that the homeowners are paying attention, need to be in the loop, and will take whatever</p>

	means are necessary to make sure the board makes cost-conscious and reasonable decisions.
Bob Goland	I support your position for transparency and some competitive proposals to get to the most cost effective interim in-valley solution.
Gary Gallaher	We certainly do appreciate all you have done and continue to do for the Kirkwood community on this issue. As Kirkwood homeowners since 1994, we feel good about the way the KMPUD Board and staff has operated over the years, but this issue obviously requires a whole new set of expertise. Our window of maximum opportunity is limited, so the project needs to move forward at a brisk pace. We very much support and appreciate your actions.
Robert Ende	<p>The right solution for Kirkwood for the long term is to connect to the PG&E Grid. As a homeowner in Kirkwood, I put my full support behind this effort.</p> <p>We need to minimize the expenses to fit up the new Power House, because the resulting debt may impede our ability to finance the Grid Interconnect. I understand that the Resort wants a robust Power House that will ensure their Lift and Commercial Operations can run even if the PG&E system has an outage. However, I firmly believe that when we are connected to the Grid we will have highly reliable power, and will need a modest in-Valley power generation system. In those infrequent situations where PG&E has an outage, we should have enough in-Valley power generation capability to run the Resort during the day and to keep the homeowners warm during the night.... more than that would be wasteful, and may keep us from getting the Interconnect done.</p> <p>Final comment: speed is essential. Costs of financing and construction are low now, but the economy shows signs of recovery that could change that picture quickly. Let's get the Interconnect project cranked up quickly, so we solve Kirkwood's power problems once and for all!</p>
Phil Lindsay	Overall I fear that our electrical rates may become so expensive to harm the economy of Kirkwood Valley."
Jan Holland and Jim Hill	<p>Time is running out--getting our financial plan and project timeline in immediate order are critical. So is our decision on product. We urge the Board to evaluate Volvo and other engines and their associated costs before arbitrarily proceeding with Caterpillar. Previous KMPUD meetings have only topically addressed this product.</p> <p>Power Secure, one of the largest resellers of Caterpillar engines (and KMR's current provider of our temporary power), has recommended not Caterpillar engines but Volvo engines as their first choice for Kirkwood Valley---why?: Twelve 430kw Volvo engines pose the following advantages over five 1250kw</p>

	<p>Caterpillar engines:</p> <ol style="list-style-type: none">1. Volvo engines and associated switchgear, machinery and construction cost less (potentially saving us millions; overhead powerhouse mezzanines are not required to service them, further reducing construction costs)2. Volvo engines provide greater fuel efficiency (increases when there are multiple small engines running at higher loads near 70-80% capacity, parasitic loss is reduced),3. Smaller Volvo engines make recovery easier if an engine fails (if one Cat goes down, it's 1/5th of total engine capacity, if one Volvo goes down, it's 1/12th, reducing the negative consequences),4. Volvo engines and replacement parts are locally and immediately available (Carson Valley),5. Volvo engines require less space (only 4,000sf,)6. Volvo engines require less maintenance, and have less film/debris build-up which can (did?) cause fires,7. Volvo engines offer increased flexibility in powering down (and saving money) during peak demand periods after the out-valley connection is made. <p>The community has clearly indicated to the Board that the goal should be to minimize in-valley costs while assuring a reliable, quality product until the out-valley connection is complete. The Board should make it a priority to investigate the Volvo engines and to make reference checks, especially from the primetime Volvo user up in Canada, which operates at subzero temperatures and 5000 foot altitudes. There should be a formal Board vote on product. Our deposit on the Cats we've ordered should not be a stumbling block, it has been expressed in several meetings that this is likely reversible at little or no penalty to us. The right product is critical.</p>
--	---

ⁱ http://en.wikipedia.org/wiki/Bond_credit_rating
ⁱⁱ <http://publicfinance.firstsw.com/landing/?rel=0>
ⁱⁱⁱ <http://www.raymondjames.com/publicfinance/>