

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
SPECIAL BOARD MEETING
December 15, 2006
3:30 P.M.

ITEM NO. 1: CALL TO ORDER, FLAG SALUTE AND ROLL CALL:

The Special Board meeting of the Lassen Municipal Utility District was called to order at 3:35 PM by President Langston.

Board Members Present: Wayne Langston (President) Fred Nagel (Vice-President), George Sargent (Treasurer), and Darrell Wood (Director).

Absent: Director Cardenas.

Also Present: General Manager Frank Cady, Director of Engineering & Operations Ray Luhring, Facilities Manager Paul Glau, General Counsel Jaimee Jones, Controller Bill Stewart, Communications/Public Benefits Specialist Theresa Boucher, Energy Advisor Don Battles and Executive Assistant/Acting Board Secretary Karen Rollings.

ITEM NO. 2: APPROVAL OF AGENDA:

A motion was made and seconded to approve the agenda as presented. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 3: INVITATION FOR PUBLIC COMMENT:

[President Langston opens the floor for public comment after pointing out the Rules for Public Comment.]

➤ None.

ITEM NO. 4: INFORMATION ITEMS:

A. Board and Staff Response (if any) to Public Comment.

➤ None.

B. Board/Staff Items.

➤ None.

ITEM NO. 5: ACTION ITEMS:

A. CONSENT AGENDA:

1. None.

B. Consideration and approval to enter into a contract for the purchase of energy from a yet-to-be-built power plant in Utah, and membership in the Utah Associated Municipal Power System (“UAMPS”).

- General Manager Cady explained the history of UAMPS and the current construction of the Intermountain Power Project Unit 3 (IPP3) which will be a 900MW coal fired plant. UAMPS owns 25% of the IPP3 Project. The other owners, each with a 25% ownership, include: PacifiCorp, Southern Nevada Water District and the City of Glendale, California.
- Time is of the essence and Board action is required if membership in UAMPS is to become a reality. Recent legislation passed in California (SB1368) states in part that, “No utility in California shall, after 1/1/07, enter into any long-term agreements that are not as clean as the cleanest power plants that California permits”. UAMPS claims this will be the cleanest coal-burning plant in the nation. When this plant is completed, it will incorporate some of the newest BACT (best available control technology) in the United States, exceeding State and Federal regulations.
- SB1368 is designed to reduce California’s greenhouse gas emissions and also states that no utility can enter into a base power contract for longer than five years. LMUD would be making a 50-year commitment if they joined UAMPS with the power plant scheduled to come on line in 2013, at which time, LMUD would receive an 8MW Entitlement Share from the coal fired plant. GM Cady explained that this is a great opportunity for the District to secure low cost, stable power for many years to come. At the completion of the IPP3 Project, the price to participants will be \$51.75 per MW hour, which includes fuel, operating & maintenance costs, debt service, etc. The price will be dollar adjusted with inflation.

- If the District participates in this project, the cost would be between \$2,500 and \$3,000 a month for the next 2 to 3 months and then zero dollars during the development stage and until the plant comes on line in 2013. Once the plant is on line, the \$51.75 per MW hour takes effect. GM Cady stated that, based on information that is available now, it is unlikely that the IPP3 Project will be in jeopardy of not being completed. Unexpected breakdowns are covered with contingency and insurance monies and PacifiCorp will pickup the slack, if necessary, for any entity that drops out.
- Director Nagel stated the District has been looking for diversification in base resources for a number of years. He said hydro is a cost effective resource, but probably will not be an option for LMUD. He felt involvement in this project seems to be a good fit for the District with minimal risks.
- Director Sargent liked the long-term concept of the project and asked when the monthly payments would begin. GM Cady responded as soon as LMUD becomes a member of UAMPS.
- Director Langston felt that the District needs to take advantage of this opportunity.

There being no further Board discussion, a motion was made and seconded to direct staff to prepare and execute the necessary paperwork for LMUD to become a member of UAMPS and part of the IPP3 Project. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 6: ADJOURN:

There being no further business, the meeting was adjourned at 4:20 PM.