

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
SPECIAL BOARD MEETING
December 26, 2006
11:00 A.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 11:05 AM by President Langston.

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

Also Present: General Manager Frank Cady, General Counsel Jaimee Jones, Business Office Manager Keri Richards, Communications/Public Benefits Specialist Theresa Boucher, Facilities Manager Paul Glau and Executive Assistant/Acting Board Secretary Karen Rollings. (*Energy Advisor Don Battles attended via conference call*).

ITEM NO. 2: APPROVAL OF AGENDA:

ITEM NO. 3: INVITATION FOR PUBLIC COMMENT:

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

ITEM NO. 4: INFORMATION ITEMS:

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

B. Board/Staff Items.

PURSUANT TO THE REQUEST OF PRESIDENT LANGSTON, ACTION BY CONSENT OF THE BOARD WAS TAKEN ON ITEMS 2, 3 AND 4A & 4B (ITEMS PASSED OVER).

ITEM NO. 5: ACTION ITEMS:

A. CONSENT AGENDA:

1. None.

B. Consideration of adoption and execution of LMUD Resolution 2006-08 “A Resolution Authorizing and Approving: (1) A Power Supply Resource Plan; (2) The Intermountain Unit 3 Project Power Sales Contract with Utah Associated Municipal Power System (“UAMPS”); (3) The Utah Associated Municipal Power Systems Agreement for Joint and Cooperative Actions, the First Amendment Thereto and the Second Amendment Thereto; and (4) Related Matters; and approval of execution of any necessary related documents for participation and membership in UAMPS. (*General Manager*)

- General Counsel Jones stated that Resolution 2006-08 ratifies the Board’s action on 12/15/06 to become a member of UAMPS. It commits LMUD to purchase power (8MW Allotment) and sets forth the District’s share of costs for development of the Intermountain Power Project Unit 3 (IPP3), a coal fired plant scheduled to come on line in 2013.
- GM Cady stated the Intermountain Power Project will be a state-of-the art power plant compliant with all federal regulations. Power will be priced below similar thermal and green generation power produced in California.
- General Counsel Jones explained that litigation is pending against the IPP3 Project by the Sierra Club, et al, based on environmental concerns. The Supreme Court has found that the Sierra Club has some standing, but regardless, construction of the IPP3 Project will begin once financing and bonding is in place. GM Cady stated the groundbreaking should begin as soon as the bond companies are sure that the lawsuit has no merit. GC Jones said this is having some effect on the financing aspect of the project, but will not be an issue. We were told there would be no problem with obtaining financing, but the terms are still unknown.
- GM Cady stated the District has the opportunity before 1/1/07 to enter into this agreement, as after this date, SB1368 will go into effect, which restricts California utilities from entering into contracts such as this one. This commitment can be reversed if fatal flaws exist, but the District will never have this opportunity again after 1/1/07.

- GM Cady explained that if the District cannot secure transmission from Gonder to LMUD (point to point), the District can opt out of the contract. GC Jones said this is the only off ramp in the agreement and applies to both parties (owners and participants) not being able to secure transmission. A 30-day notice is required if transmission is unavailable before the first issuance of the bonds or bond anticipation notes. GM Cady stated that the District needs to get into SPPCo's queue by 2012 for transmission of power from Gonder. He felt there would be a new line built running east/west for power transmission.
- Director Nagel asked if the District could sell their power, but still participate in the project. GM Cady responded that this is a possibility, as PacifiCorp would most likely buy the power at cost. He was told that there is a good chance that many participants would be looking to get out of some of their power allotment within the first 1 to 5 years.
- Energy Advisor Battles stated that a power swap may be an option similar to the MSR (Modesto, Santa Clara & Redding) power swap. MSR has a swap agreement with a Pacific Northwest entity to take the power at other points and basically lease their capacity on transmission lines.
- Director Cardenas asked if membership in UAMPS would jeopardize LMUD's relationship with the Western Area Power Administration (WAPA). GM Cady said there will be several options available to work with Western regarding the distribution of LMUD's 8MW allotment when the IPP3 power plant comes on line in 2013, thereby maintaining the services provided to the District by Western.
- GM Cady requested that the Board give him the authority to increase LMUD's power allotment under the UAMPS contract at anytime, if needed or available, with reasonably expected limits (up to doubling of the allotment). It was the consensus of the Board to give the General Manager the authority to increase LMUD's power allotment under the UAMPS contract as stated above.

There being no further Board discussion, a motion was made and seconded to (1) Approve Resolution 2006-08 and the IPP Unit 3 Project Participation Request Agreement; and (2) Authorize the General

Manager to execute any necessary and related documents upon their approval by General Counsel. Floor opened for public comment. No comment. Motion passed unanimously.

C. Consideration and Approval of Administrative Services Agreement with FirstTier Administrators to administer the Plans for the District. (*Accountant Stewart*)

- General Manager Cady stated that FirstTier Administrators is taking over the District's previous plan administrator's business (Cost Containment) due to the retirement of the principal owner.

Board discussion ensued. GM Cady responded to the Board of Directors' questions. There being no further discussion, a motion was made and seconded to approve the Administrative Services Agreement with FirstTier Administrators to administer the Plans for the District. Floor opened for public comment. No comment. Motion passed unanimously.

D. Presentation of FYE 6/30/06 Audit Findings. (*Julia Gussett & Accountant Stewart*) ***Carried over for a future Board meeting.***

ITEM NO. 6: CLOSED SESSION

A. Conference with Legal Counsel:

Significant exposure to litigation pursuant to Government Code §54956.9(b) – (2 cases).

- ***Removed by General Counsel Jones.***

ITEM NO. 7: ADJOURN:

There being no further business, the meeting was adjourned at 12:30 PM.