

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
SPECIAL BOARD MEETING
TUESDAY, APRIL 10, 2008
5:30 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 5:30 PM by President Bowden.

Board Members Present: Bud Bowden (President), Jay Dow (Vice-President), Matt Lavacot (Treasurer), Wayne Langston (Director) and Fred Nagel (Director).

Also Present: Acting General Manager Ray Luhring, General Counsel Jaimee Jones, Accounting & Finance Manager Bill Stewart, Facilities Manager Paul Glau, Business Office Manager Keri Richards, Energy Services and Compliance Specialist Theresa Boucher, Engineering Technician Liz Griffin, Accounting Technician Cady Schroeder, Executive Assistant Karen Rollings, Administrative Assistant Chris Yarbrough, and Board Secretary Jerri Kresge.

ITEM NO. 2: APPROVAL OF AGENDA:

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

ITEM NO. 3: CONSIDERATION OF LINE EXTENSION INCENTIVE POLICY (DISCUSSION ONLY):

- Director Dow gave a brief background on what had happened so far regarding the proposed Line Extension Incentive Program. He stated that, at his request, the following transpired: (1) The Board briefly discussed line extension incentives at a previous board

meeting; (2) an Ad Hoc Committee was formed to provide input and ideas; (3) staff prepared information in relation to the proposed program; and (4) a special board meeting was held to review the information prepared by staff and discuss the proposed Line Extension Incentive Program.

- Accounting & Finance Manager Stewart explained the Agricultural Pumping Analysis included in the board packet that he had prepared. At the request of Director Dow, Accounting & Finance Manager Stewart also read the notes from the Ad Hoc Committee meeting on 3/31/08 regarding line extension incentives.
- Director Dow thanked staff for preparing the information before the Board tonight. He stated that there seemed to be a lot of assumptions and conclusions being drawn regarding the proposed Line Extension Incentive Program. He felt everything was out in the open and that there were no hidden agendas. He said the main goal of the program would be to add more load and possibly reduce or hold rates steady. With this in mind, all rate classes could potentially benefit from this proposed program. Director Dow stated he had reviewed LMUD's budget and looked at fixed costs which the District has no control over. He felt that with a Line Extension Incentive Program, revenues could be increased by adding load which would help mitigate fixed costs. Director Dow said that input is needed from all rate classes and suggested holding a public forum and/or a public hearing.
- Director Lavacot thanked staff for their work in preparing the information for the Board's review. He stated that he would rather see incentives to bring industrial business into the community. He felt the proposed Line Extension Incentive Program targeted agriculture and therefore, would benefit only

a select group of people. Director Lavacot said that it is good business for Ag customers to convert from diesel to electric, but other forms of incentives could be used such as the Carl Moyer Program.

- Director Dow stated that the Carl Moyer Program did not include paying for the cost of line extensions. He said that if a customer had to pay for the line extensions, it would defeat the purpose of converting from diesel to electric.
- Director Nagel stated that the Board had addressed similar incentive programs in the past. He said that he respected the Ag community and their efforts, but one of the main problems was that they could not agree and stay united for a common cause.

At the request of President Bowden, Board Secretary Jerri Kresge, read two letters from ratepayers regarding the proposed Line Extension Incentive Program.

ITEM NO. 4:

INVITATION FOR PUBLIC COMMENT:

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

- Copies of a letter from Bob Pyle were distributed to the Board and staff. Mr. Pyle suggested tabling this item until after the November, 2008 election when there is a Board elected by the people and not an appointed Board. He stated that an incentive program should benefit all rate classes, as well as benefiting the District financially.
- Michael Kirack, local contractor, said he would like to see an incentive program to help defray the costs associated with the installation of power facilities in new developments so contractors could recoup a portion of these fees.
- Larry Standiford, owner of Stoneco Construction, commented that any incentive program should go across the board and benefit developers as well. He said that line extension charges for new subdivisions can be very expensive.

- Tony Malfi felt that the concept of the proposed incentive program was good, but the Board should take their time before they make a decision as this is a very complex issue.
- Mike M. commented that there should be fairness and equity for everyone in any incentive program the District initiates. Increasing revenues is good, but there are always risks involved.
- Rob Sharug commented that the proposed incentive program could possibly discriminate against Ag customers who have already converted from diesel to electric. He said it appears that there is a conflict of interest. He felt the District should concentrate on improving infrastructure.
- Jim McCarthy, local realtor, stated no decisions should be made until the November, 2008 election. Then the board members elected by the people can address this issue.
- Darren Hagata, local rancher, stated the proposed incentive program was good and there was no reason for the Board to delay in making a decision. He felt that politics should be taken out of the picture.
- John Murray, local insurance agent, cautioned the Board to be careful and think about the ratepayers and the impact on the District before approving this incentive program.

**ITEM NO. 5: CONSIDERATION OF LINE EXTENSION
INCENTIVE POLICY (POSSIBLE ACTION)**

- General Counsel Jones stated that a public hearing would be necessary if this passes.
- Director Langston stated any adjustment to the Line Extension Policy would need to remain utility-wide, as it has been in the past, thereby benefiting all rate classes.
- Director Dow stated that the Board has a serious commitment to do what is best for the District and felt there was no reason to postpone making a decision. He said the program will be structured so that the District is safeguarded and strongly felt that this is a step in the right direction.
- President Bowden stated that a decision should be postponed until a new Board is elected by the people.

He felt that only a select few would benefit from this program and it would not be fair to other rate classes. Director Dow felt that all rate classes would benefit. President Bowden disagreed.

- Director Langston thanked the new Board members for their work so far; he hoped that their appointments were not fruitless; and that they would move forward in the decision-making process.

Director Dow made a motion to direct the General Manager to schedule a public hearing on the proposed Line Extension Incentive Program to include all rate classes. Director Nagel seconded the motion “for purposes of discussion only”.

- Director Nagel asked how there could be a motion if no policy exists to vote on?
- Director Dow stated the motion was to hold a public hearing not for action on a particular document.
- General Counsel Jones stated a policy would be prepared and discussed at the public hearing with consideration of formal adoption.
- Director Nagel questioned if the need for an incentive program really existed. Theoretically, according to him, Ag customers are already receiving some form of “incentive” to convert from diesel to electric given the current high price of diesel.
- Director Langston reiterated that any incentive program should benefit all rate classes. As a Director, he has always advocated finding ways to increase revenues, without compromising the ratepayers or the District. He felt researching all the possibilities of increasing revenues was an integral part of the Board’s duties. If this proposed incentive program will be “revenue neutral” and increase load, then it should be considered further by the Board.
- President Bowden did not like the idea of revenue neutral as he felt this concept would not pay the bills or get the job done. He said it was a smokescreen and there were too many risks involved. He stated that LMUD is a small utility and cannot afford to take these risks. President Bowden lauded Director Dow for his efforts, but felt a conflict of interest existed and that Director Dow should recuse himself from the vote.

- Director Lavacot asked if an in-depth study will be done to see how this proposed program could impact the District. Director Dow replied that staff would look into this.
- President Bowden stated that staff had done enough of work on this proposal already. He still felt that Director Dow had a definite conflict of interest and again, requested that he recuse himself from the vote. President Bowden then began to read in part from a document prepared by counsel which was protected by the Attorney/Client Privilege. *Director Nagel calls for a Point of Order, stating that this has nothing to do with the motion.* President Bowden replies “point taken”, and continues to read from the document.
- President Bowden reads from a document purporting to list District customers who may convert from diesel pumps to electrical, and the size of the motors.

Director Dow called for the question. President Bowden called for a poll of the vote. The votes were as follows:

- Director Lavacot – No
- Director Nagel – No
- Director Bowden – No
- Director Dow – Aye
- Director Langston – Aye.

Motion is defeated.

ITEM NO. 6 **ADJOURN:**

There being no further business, the meeting was adjourned at 7:03 PM.