

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
APRIL 22, 2008
5:30 P.M.

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

The Regular 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, Engineering & Operations Manager Dave Folce, 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, IT/GIS Coordinator Mike Malone, 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:

Accounting & Finance Manager Stewart requested that Item 6b under the Consent Agenda be pulled for detailed discussion and Board action. A motion was made by Director Dow and seconded by Director Langston to approve the agenda with this change. Floor opened for public comment. No comment. Motion passed unanimously.

President Bowden acknowledged and applauded the heroic efforts of LMUD Lineman Tater Lohr during a recent incident, which involved climbing a burning telephone pole to disconnect the electric service. This incident and Mr. Lohr were featured in a front page article in the local newspaper. Director Dow stated that this incident happened on his property. He commended Tater

for his ability to take charge and to get the job done. Director Dow said it was very apparent that Tater's top priority was the customer.

ITEM NO. 3: INVITATION FOR PUBLIC COMMENT:

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

- Steve Pezzullo stated he was upset because he was not informed that an invoice from Pezzullo & Gusset, CPA's, was included in the board packet. He questioned why the invoice was in the board packet and said he would go into more detail after this item was presented to the Board tonight.
- Matt Giblin, Invenergy Project Coordinator, introduced Carmine Iadarola and Duane Braunagel from Invenergy. Mr. Giblin said they are eager to present to the Board information regarding Invenergy's Wind Energy Projects in Lassen County.

ITEM NO. 4: STAFF MEMBERS' REPORTS:

- Energy Services & Compliance Specialist Theresa Boucher reported on the following:
 - LMUD's participation in the Children's Fair to be held on May 3rd. Once again, bucket truck rides will be given to the children, with several LMUD employees volunteering to make this event a fun time for all.
 - LMUD turns 20 in May! Several events are planned throughout the year to celebrate this special occasion and will be advertised in the local news media and the *Ruralite*.
 - Customer Appreciation Days scheduled for June 20th. A hamburger & hotdog bar-b-cue will be held at LMUD's Roop Street Office location (in the parking lot). Several "energy conservation"

promotional items will be given away and there will be a drawing for an *Energy Star* television.

- Employee Company Picnic on August 16th at the Lassen County Fairgrounds. Awards will be given to employees for years of service.

- Electric Operations Manager Dave Folce reported that the Modoc Substation is off line and the switch to the Milwood Substation is complete. This will improve system reliability tremendously. Acting General Manager Luhring said this project was at the top of the capital improvement list and commended Dave and the LMUD crews for a job well done.

ITEM NO. 5: BOARD MEMBERS' REPORTS:

- Director Dow emphasized the importance of continuing with the workshops, the top priority being a budget workshop. Director Dow said he would like to see, in the near future, workshops on staffing and strategic planning. ***A budget workshop was scheduled for May 27, 2008 at 1:00 PM in the LMUD boardroom.***

a. Board Members' Meetings Attended:

- None.

ITEM NO. 6: CONSENT AGENDA:

- A motion was made by Director Nagel and seconded by Director Dow to approve Consent Agenda Item 6a –Approval of Board Minutes. Floor opened for public comment. No comment. Motion passed unanimously.
- Consent Agenda Item 6b – Consideration of Approval of Exhibit C, Revision 12 of Western Area Power Administration Contract No. 96-SNR-00110 for the funding of Operation and Maintenance for the Central Valley Project.

- Accounting & Finance Manager Stewart recommended funding LMUD's Fair Share of \$158,169.78 for FY 2012.

A motion was made by Director Langston and seconded by Director Lavacot to approve the Fair Share Funding amount of \$158,169.78 for FY 2012. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 7: ACCOUNTING & FINANCE MANAGER REPORTS:

- Accounting & Finance Manager Stewart reported on the Cash Position Report, the Balance and Income Statement and the Check Register included in the board packet.

Board discussion ensued. Accounting & Finance Manager Stewart responded to the Board of Directors' questions.

- Accounting & Finance Manager Stewart reported on the following Demand for Payment included in the board packet:
 - Pezzullo & Gusset, CPA's, for \$8,487.50.
- Director Langston asked why this Demand was before the Board for consideration as the District has a current service contract with this CPA Firm. Accounting & Finance Manager Stewart responded that he was asked to put this Demand for Payment in the board packet for Board review and authorization to pay the Demand. He stated that this CPA Firm was sent a letter to cease all work they were doing for LMUD; and to return their entire work product. The Demand before the Board tonight is a subsequent bill received after the letter was mailed.
- President Bowden asked when the letter was mailed. Acting General Manager Luhring replied the letter was both mailed and faxed on January 9, 2008.
- Director Dow asked if the District had received the preliminary findings report prepared by this firm.

AGM Luhning replied, no. Director Dow stated that since the District has a contract with this firm, they are obligated to pay the bill, but in return, the District should receive a work product.

- Mr. Pezzullo said that his firm did cease work after they received the District's letter (at which time the amount of the bill was approximately \$7,000). Subsequently, he did confer with the Chief of Police and the District Attorney which increased the amount of the bill. Given the sensitivity of the matter his firm was researching (alleged falsification of timecards by District employees – misuse of public funds); he did not think the Board would have a problem with him conferring with law enforcement agencies. Mr. Pezzullo stated he sent LMUD a letter requesting more information to complete the timecard audit, but did not receive anything. This causes problems, because he now has knowledge of alleged infractions and has an ethical obligation to complete a thorough investigation. This cannot be done due to the District's lack of cooperation in providing additional information he requested.
- General Counsel Jones stated that the Board directed staff to handle this matter in-house.
- President Bowden said the District Attorney referred this matter back to LMUD to handle in-house. He stated that the District is entitled to see the product that they are paying for. He agrees that the District should pay the Demand from Pezzullo & Gusset.
- Director Langston commented that he had brought this matter up at a previous Board meeting. At that time, he made it clear that he was in favor of pursuing the timecard investigation for the reasons stated by Mr. Pezzullo. Director Langston said he also wants to see the preliminary findings report and agrees that the District has an obligation to pay this bill since a valid contract is in place.
- Mr. Pezzullo stated that the preliminary findings report is subject to the attorney/client privilege and since he does not feel comfortable releasing an incomplete report, he will have his attorney contact LMUD's attorney regarding this matter.

There being no further Board discussion, a motion was made by Director Dow and seconded by Director Langston to pay the Demand from Pezzullo & Gussett, CPA's, in the amount of \$8,487.50. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 8: REPORTS FROM ACTING GENERAL MANAGER:

- NWPPA Governing Board: The vacancy on this Board for the Northern California Region (formerly held by a LMUD Board Director) has been filled by a member of Trinity PUD. When this position becomes open in the future, NWPPA said they would be willing to accept a nomination from LMUD.
- Attended a NERC Compliance Workshop on April 2nd & 3rd hosted by Western Electric Coordinating Counsel (WECC).
- UAMPS/IPP3: April Meeting.
 - The ruling on a motion filed by UAMPS and PacifiCorp for extension of the air permit for the IPP3 Project will be made soon.
- Upcoming Meetings and Conferences:
 - UAMPS on May 19th, 20th & 21st.

ITEM NO. 9: REPORTS FROM ENGINEERING & OPERATIONS MANAGER:

- SCADA Project: Work started today (4/22/08). Preliminary wiring is being completed and onsite testing is being done between the Service Center and the substations on the capability of operating the breakers from a computer at the Service Center. May 3, 2008, is the estimated completion date.
- Outage Report: Outages in the valley area were caused by high winds. There was also

an outage near Leavitt Lake due to a burnt telephone pole. The District's Reliability Index is above a 99% rating which is very good.

➤ Quotes on Breakers for Milwood Substation:
As previously requested by the Board, Electric Operations Manager Folce reported on the following:

- Hart High Voltage will perform a complete maintenance overhaul on existing breakers for \$13,500 each. This does not include parts or any additional labor costs to install parts, if necessary. Parts for the existing breakers are practically non-existent and very hard to find.
- Cooper Power has brand "new/old" breakers (1991 vintage – never been used) for \$30,000 each.
- Mitsubishi has new breakers for \$32,125.
- Siemens price for new breakers is \$36,000.

➤ Electric Operations Manager Folce stated that he recommends buying one new breaker now, for reliability, and to insure that parts are readily available. Cooper Power no longer makes breakers and, if breakers are purchased from them, parts would be hard to find.

➤ General Counsel Jones stated that any purchase over \$25,000 needs to go out to bid. She said it appears the Board is being asked for direction, i.e., buy new or rebuilt. A decision cannot be made at this time, as this item was not agendaized properly.

➤ Electric Operations Manager Folce replied that these quotes are for cost comparisons only as previously requested from the Board.

➤ President Bowden said he appreciated the information provided by Mr. Folce, and in no

way, was he being criticized for what he had done so far.

- Director Dow felt this was strictly a management decision, at this point, which does not require the Board's permission to proceed. He said staff should go forth with the bid process and bring the final award to the Board for consideration.
- Director Langston agreed with Director Dow; and Director Nagel felt it was wise to purchase a new breaker.

No further action was taken by the Board.

ITEM NO. 10: CONSIDERATION OF APPROVAL OF CONTRACT WITH RAY LUHRING FOR GENERAL MANAGER POSITION:

- General Counsel Jones stated that Mr. Luhring had put together the General Manager Agreement before the Board. She said it was very similar to the former general manager's agreement. Ms. Jones stated that there are no built-in pay raises. The Board must meet and discuss any future salary increases. Benefits are per the standard employee benefits provided in the District's current MOU. Ms. Jones said she felt comfortable with the General Manager Agreement and endorses it as meeting the legal requirements for this type of contract.

A motion was made by Director Lavacot and seconded by Director Dow to approve the Contract with Ray Luhring for the General Manager Position.

- Director Langston stated that in January, 2008, he felt it would have been better to wait at least 6 months before Mr. Luhring was considered for the general manager position. He said that the Board needs more information; they need to get familiar with Mr. Luhring; and there are still questions to be answered, i.e., what is Mr. Luhring's

direction for the District; what are his feelings on what has happened to the District in the last 4 months, etc. Based on this, Director Langston felt this general manager agreement was 60 days premature. He stated that he is all for going forward, but the District must be cautious and make prudent, competent decisions. Hence, the reasons for obtaining all the information necessary before any decisions are made.

- Director Dow agreed with Director Langston and stated that the District needs continuity and a general manager that will be dedicated to the District.
- Director Lavacot felt that one of the best ways to become familiar with Mr. Luhring was to sit down with him and go over District matters. He stated that Mr. Luhring has an Open Door Policy. Director Lavacot said he felt confident appointing Mr. Luhring as general manager and said there was no reason to wait another 60 days.
- President Bowden agreed with Director Lavacot, and felt the District was headed in the right direction with this general manager appointment.
- Director Nagel asked if the original motion should be amended to include.....“following immediately will be a performance evaluation of the general manager”. Director Nagel suggested doing the evaluation next month.
- President Bowden felt it was not necessary to amend the original motion as the Board can do performance evaluations of the general manager whenever they wish.
- General Counsel Jones said any Board member can put a general manager evaluation on the agenda at any time. She stated that she had no problem with amending the motion, but felt it was not necessary.
- Director Nagel stated that he was very comfortable with Mr. Luhring’s appointment

as general manager, but felt doing an evaluation within the next 30 days, would be beneficial for the new Board members.

- The Board concurred that there will be a general manager performance evaluation in closed session at the next regular board meeting on May 27, 2008.
- Mr. Luhring agreed with the Board's decision to do a general manager's evaluation and will provide his resume as requested by the Board.

There being no further discussion, it was the consensus of the Board to stay with the original motion. Floor opened for public comment. No comment. Vote on the motion was as follows:

- Director Nagel – Aye
- Director Dow – Aye
- Director Langston – Aye
- Director Lavacot – Aye
- President Bowden – Aye

Motion passed unanimously.

ITEM 11: PAYMENT OF DEFERRED COMPENSATION FOR ELECTRIC OPERATIONS MANAGER PURSUANT TO EMPLOYMENT OFFER :

- GM Luhring explained that the letter offering Dave Folce the Electric Operations Manager position stated that deferred compensation benefits would be effective immediately. He stated that the former general manager had reviewed and approved the offer letter.
- Accounting & Finance Manager Stewart stated that due to a change in the current MOU, a new employee is not entitled to deferred compensation and retirement benefits for six months from their employment start date. He said that the retirement plan is subject to IRS guidelines and the District is bound to adhere to these

rules and cannot discriminate against anyone.

Board discussion ensued. Accounting & Finance Manager Stewart responded to the Board of Directors' questions. There being no further discussion, Director Dow made a motion to compensate Mr. Folce the calculated amount to coincide with his original agreement with the District. The motion was seconded by Director Nagel. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 12: FUTURE BOARD MEETING SCHEDULE:

- President Bowden stated that a Special Board Meeting will be held on Tuesday, May 27, 2008 at 1:00 PM (Budget Workshop); and a Regular Board Meeting on May 27, 2008, at 5:30 PM. Both meetings will be in the LMUD Boardroom located at 65 S. Roop Street, Susanville, CA.
- Accounting & Finance Manager Stewart stated that there will be a Special Board Meeting on Thursday, June 19, 2008 at 5:30 PM for consideration and adoption of the FY 2008/09 Budget.

ITEM NO. 13 ADJOURN:

There being no further business, the meeting was adjourned at 6:53 PM.