

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
August 26, 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.

Roll Call by Board Secretary Jerri Kresge:

Director Nagel – present
Director Dow – present
Director Lavacot – present
Director Bowden – present
Director Langston - present

Also Present: General Manager Ray Luhring, Electric 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:

General Manager Luhring requested that Item No. 11 (*Report from Ad Hoc Committee – Consideration of amending Rate Schedule PDCA*) be deleted from the agenda as staff was not able to meet with the PDCA Review Ad Hoc Committee. A motion was made by Director Nagel and seconded by Director Lavacot to approve the agenda with the deletion of Item No. 11. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 3:

INVITATION FOR PUBLIC COMMENT:

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

- None.

ITEM NO 3A:

DOUG CARTER, VP, INVENERGY:

PRESENTATION OF FACILITY UPGRADE COSTS.

- Doug Carter, Vice President of Invenergy, reported on the proposed 100-megawatt wind generation project in the Horse Lake Valley near Eagle Lake which Invenergy is planning to build. He explained to the Board that representatives from Invenergy and LMUD staff had met to discuss this proposed project and they requested that he give the Board an overview of what has transpired to date. Mr. Carter discussed:

- Invenergy's plans to rebuild/upgrade LMUD's transmission lines should the project become a reality.
- The location of the wind farm starting at the Caribou Substation, connecting at the Westwood and Milwood Substations, passing through Willow Creek and ending at the Horse Lake Substation near Eagle Lake.
- Possible revenue stream for LMUD through an "Open Access Transmission Tariff".
- Comparison of figures in regard to costs and payback options depending on how the project is configured.

Board discussion ensued. Mr. Carter and General Manager Luhning responded to the Board of Directors' questions.

➤ **Public Comments/Questions:**

- What effect will this project have on power rates? Mr. Carter responded that, in theory, the project should stabilize or offset power costs.

- When will LMUD be responsible for the maintenance of the lines? Mr. Carter responded immediately.
- Who will buy the energy produced from this wind project? Mr. Carter responded that California statute is requiring that by 2010, 20% of power purchased must be through renewable resources. He stated that Legislation may change this figure to 33%.
- Presently, LMUD gets most of their power from hydro through the Western Area Power Administration. How does Invenergy fit into this equation? Mr. Carter responded that, due to power plants retiring and the shift to renewables, Invenergy is being proactive in developing renewable energy resources.
- If the project fails, who is left on the hook? Can a lender hold LMUD responsible? Mr. Carter explained that there are protective clauses in the Tariff and most likely, Invenergy would be at risk, not LMUD. Ultimately, an attorney would make the decisions.
- Is LMUD equipped to maintain lines with current staff? General Manager Luhning responded that LMUD's line crews are fully equipped to work on the lines and no additions to staff is anticipated. He stated that Invenergy will be responsible for maintaining the wind turbines.

There being no further discussion, the Board thanked Mr. Carter for his presentation. No further Board action was taken.

ITEM NO. 4: STAFF MEMBERS' REPORTS:

➤ None.

ITEM NO. 5: BOARD MEMBERS' REPORTS:

- Director Nagel asked if the District had been reimbursed for their portion of the advance funding for the Feasibility Study regarding the Reciprocating Engine Project at the prison in Susanville. Accounting & Finance Manager Stewart said the District's portion is \$43,000. General Manager Luhring will check on the status of this refund.

a. Board Members' Meetings Attended:

- President Bowden commented on the UAMPS Member Conference he attended with General Manager Luhring on August 18-20, 2008. He said the main message throughout the conference was, "do not go into debt". President Bowden said that GM Luhring will give more details of the conference during his report.

ITEM NO. 6: CONSENT AGENDA:

A motion was made by Director Dow and seconded by Director Nagel to approve Consent Agenda 6a – *Approval of the July 22, 2008 Regular Board Meeting Minutes*.

Director Dow requested that Consent Agenda Item 6b – *Consideration of updated Management Job Descriptions*, be pulled for further discussion.

- Director Dow stated that the changes to the Management Job Descriptions had not come before the Board for approval and finalization. He felt that this function was under the purview of the Board and he was not clear on what changes had been made versus what the original job descriptions stated. Director Dow said he has asked for a staffing plan in the past, and one should be in place before the job descriptions are approved. He still felt a workshop was needed regarding staffing requirements.

- General Manager Luhring explained that these job descriptions had been previously approved by the Board and that, within this approval, the general manager can update the job descriptions and then bring before the Board for their consideration. He stated that staff will provide the Board with the old job descriptions (redlined to show changes) for comparison purposes, which were previously approved by the Board.

There being no further Board discussion, it was the consensus of the Board to continue Consent Agenda Item 6b until the next Board meeting. Floor opened for public comment. No comment. A call for the vote to approve Consent Agenda Item 6a was as follows:

Director Nagel – aye
Director Dow – aye
Director Bowden – aye
Director Lavacot – aye
Director Langston – abstain (*Director Langston abstained from the vote as he was not present at the 7/22/08 Board Meeting*).

Motion passed with 4 ayes and 1 abstention.

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. He stated that the Rate Stabilization Fund had been increased to \$4,000,000 at June 30, 2008, and it is anticipated that it will be increased by \$100,000 each month until the \$6,000,000 target is reached. He also noted that the 1996 bond series debt had been paid off.

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

- Accounting & Finance Manager Stewart stated that the 2007/08 Audit is underway. The auditors were onsite and began the preliminary field work

the week of August 11th and will return the week of September 15th to complete the field work. A draft audit should be available in mid-October, with the final product completed sometime in November. Director Langston asked if an Ad Hoc Committee would be necessary to review the draft audit. After further discussion, Directors Langston and Lavacot were appointed to the Ad Hoc Committee.

ITEM NO. 8: REPORTS FROM GENERAL MANAGER:

➤ Meetings attended:

- PDCA Review Ad Hoc Committee on August 4th. Recommended changes were made to the PDCA document and another Ad Hoc Committee will be held before the revised document is presented to the Board.
- Invenergy Design Group on August 11th, along with Dave Folce and Engineering Consultant Kerry Hartung.
- Invenergy Interconnection Agreement Ad Hoc Committee meeting on August 12th.
- Met with a representative from Constellation Power regarding power purchases. They are not willing to offer a fixed price until the MRTU (Market Redesign & Technology Upgrade) is implemented early next year. This will have a major impact on the power market. GM Luhring stated that LMUD is always looking for the best deal on power purchases.
- UAMPS Member Conference, August 18-20, 2008. The buzz word at this conference was energy efficiency and cutting load. Several interesting topics were presented including the nature of capital markets and the different components of energy. UAMPS General Manager, Doug

Hunter, gave a presentation on the UAMPS Smart Energy Initiative.

➤ Upcoming Meetings and Conferences:

- NERC Portal Training via the Internet on August 28th.
- Network Transmission Meeting on September 10th in Susanville with representatives from UAMPS, PSREC, Truckee Donner and the City of Fallon regarding an interconnection with the Sierra Pacific Reno/Alturas Transmission Line (RAT Line). These discussions are very preliminary at this point, but the ultimate goal is to sever all ties to the CAISO.
- UAMPS Meeting, September 15-17. Energy Services & Compliance Specialist Theresa Phillips will give a presentation on LMUD's *SmartBuilt* Homes Rebate Program.
 - Director Dow questioned the benefits of UAMPS membership, and wondered if the District should continue down this path.

➤ Other GM Matters:

- Under the current Schedule PDCA, another PDCA Ad Hoc Committee meeting is necessary. Directors Nagel and Lavacot are on this committee. A meeting was scheduled for August 27th at 4:00 PM in the LMUD Boardroom with Accounting & Finance Manager Stewart, General Manager Luhring and Business Office Manager Richards also attending.

ITEM NO. 9:

**REPORTS FROM ELECTRIC OPERATIONS
MANAGER:**

- Outage Report: Electric Operations Manager Folce stated that the outage in the Johnstonville Sub occurred due to high winds; and the outage in the Mapes Sub was due to an unknown cause.
- In another incident, there was a low voltage reading at the Standish Sub and when the buss reading was taken at the Milwood Sub, there was also a very low voltage reading. Due to the low voltage, a brown out was experienced by commercial customers. PG&E was contacted and it was discovered that the Co-Gens were also down. This occurred on a very hot day and it was determined that PG&E's projections were off for the usage demand. Mr. Folce voiced a concern regarding PG&E's treatment of a small customer and a meeting is scheduled to address this issue.
- Capital Projects Update: The changeover from 4 KV to 12 KV in the downtown area (Russell Street) is near completion.
- Director Nagel asked about the status of developing a long term capital improvement plan. Engineering & Operations Manager Folce stated he will confer with GM Luhring about putting together a 5 to 10 year plan with priorities.

ITEM NO. 10:

**CONSIDERATION OF BID AWARD FOR TREE
TRIMMING CONTRACT AND AUTHORIZATION
FOR GENERAL MANAGER TO EXECUTE SERVICE
AGREEMENT:**

- General Manager Luhring stated that a Request for Proposal (RFP) for Tree Trimming Services was advertised and two bids were received. The bid before the Board tonight is within the budget, but is over the dollar amount which is allowed for the general manager's approval. GM Luhring

asked the Board for authorization to execute the service agreement.

A motion was made by Director Dow and seconded by Director Nagel to award the tree trimming contract to Dan's Tree Trimming Service and give the general manager authorization to execute the service agreement.

- Director Nagel asked if the issues in the Grand Jury Report had any bearing on this service agreement. General Manager Luhring responded that the former method of billing by per unit had caused the problems. In the new agreement, services will be billed on a per hour rate.
- President Bowden asked if stump removals will be extra or included in the hourly rate of \$210.00 per hour. Facilities Manager Paul Glau responded that stump removal is included in the hourly rate.
- Director Lavacot asked in what areas was the RFP advertised. Facilities Manager Paul responded that the RFP was advertised in the local newspaper, on LMUD's web site, and different Unions in northern California, Nevada, Oregon and Washington were contacted and made aware of the RFP.

There being no further Board discussion, the floor was opened for public comment. No comment. A call for the vote was as follows:

- Director Nagel – aye
- Director Dow – aye
- Director Bowden – aye
- Director Langston – aye
- Director Lavacot – aye

Motion passed unanimously.

ITEM NO. 11: REPORT FROM AD HOC COMMITTEE – CONSIDERATION OF AMENDING RATE SCHEDULE PDCA (POWER DELIVERY AND COST ANALYSIS): *(Deleted from the Agenda)*

ITEM NO. 12: FUTURE BOARD MEETING SCHEDULE:

- The next regularly scheduled board meeting will be held on September 23, 2008 at 5:30 PM in the LMUD Boardroom located at 65 S. Roop Street, Susanville, CA.

ITEM NO. 13: CLOSED SESSION:

- President Bowden read the Closed Session Items.

The Board adjourned to Closed Session at 7:35 PM.

- A. Public Employee Performance Evaluation (pursuant to Government Code §54957). Title – General Manager.
- B. Public Employee Performance Evaluation (pursuant to Government Code §54957). Title – General Counsel.

ITEM NO. 14: REPORT OF ACTION TAKEN (IF ANY) IN CLOSED SESSION:

The Board returned to Open Session at 9:40 PM.

The following was orally reported for Closed Session Items 13A & 13B:

- No reportable action was taken.

ITEM NO. 15: ADJOURN:

There being no further business, the meeting was adjourned at 9:42 PM.