

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
December 23, 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 & Compliance Specialist Theresa Phillips, 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 Langston and seconded by Director Nagel to approve the agenda as presented. 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.]

- Debi Stampfli stated that she works for a public utility and commented on the Board's action at this

meeting to possibly raise the District's rates. She asked what the Board was doing to lower rates. She felt there were several areas that the District could cut expenses, thereby preventing a rate increase.

ITEM NO 4: STAFF MEMBERS' REPORTS:

- Presentation of District Photo. GM Luhring and Energy Services & Compliance Specialist Theresa Phillips presented to the Board a photo taken of District employees to commemorate LMUD's 20th anniversary. The photo will be displayed on the wall behind the Board of Directors' podium.
- Student Art Calendar: Ms. Phillips gave the Board a 2009 Student Art Calendar. She stated that high voltage demonstrations are given to the students at various schools throughout LMUD's service area. Several students participate in the contest each year. An awards ceremony is held sometime in November and has become a very popular event both with the students and their families. The calendars are the product of educating the children on electricity safety awareness with the theme of "Stay Clear and Stay Alive".

ITEM NO. 5: BOARD MEMBERS' REPORTS:

- None.
 - a. Board Members' Meetings Attended:
 - No Report.

ITEM NO. 6: CONSENT AGENDA:

- General Manager Luhring requested that *Consideration of Leave of Absence Policy*, Item 6b on the Consent Agenda, be removed at the request of General Counsel, to further review the language in the policy as it pertains to the Bargaining Unit.
- General Counsel Jones noted a wording change to page 4, paragraph 3 of the Purchasing Policy (Item 6c). Director Nagel asked what changes had been made to the Purchasing Policy. General Counsel replied that an inflation factor (currently at \$41,000) had been added. GM

Luhring said this would be for the purchase of poles and transformers only.

- A motion was made by Director Dow and seconded by Director Lavacot to approve the Consent Agenda as amended. Floor opened for public comment. No comment. A call for the vote was as follows:

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

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.

ITEM NO. 8: REPORTS FROM GENERAL MANAGER:

- Update and discussion on Invenergy's Horse Lake Project:
 - GM Luhring stated that he had met with Invenergy personnel last month to discuss funding for a system impact study and a right-of-way study by PG&E. It is estimated that the two studies would cost \$40,000 to \$50,000. Invenergy is in the process of doing the initial funding agreement with LMUD. They will forward the funds to LMUD and then LMUD will write a check to PG&E for the studies. GM Luhring asked the Board if the District can move forward with the funding agreement. Director Nagel said that as long as it is money in, money out, he had no problem with proceeding with the agreement. GM Luhring assured the Board that any agreement would be

closely reviewed by General Counsel and himself and, if necessary, they would bring it before the Board for their review. Director Nagel asked that staff keep the Board informed as this matter progresses.

➤ Meetings attended:

- GM Luhring attended the UAMPS Annual Meeting on December 15th through December 18th.

➤ Upcoming Meetings and Conferences:

- CMUA Capitol Days January 26th in Sacramento. GM Luhring and Director Bowden will be attending. This is a good opportunity to talk with our legislators.
- CMUA Annual Conference, March 24 – March 27, in Rancho Mirage. Staff will keep the Board apprised of this conference. Contact Jerri or Karen to make travel arrangements.

➤ Other GM Matters:

- GM Luhring thanked the employees who helped with LMUD's float and for their participation in the annual Christmas Parade on December 6th in uptown Susanville.

**ITEM NO. 9: REPORTS FROM ELECTRIC OPERATIONS
MANAGER:**

- Outage Report: Two outages occurred in Janesville caused by (1) a cross arm on fire; and (2) very high winds which caused the phases to slap together. Approximately 760 customers were affected.
- Director Langston, who lives in the Janesville area, said these outages can be very frustrating, especially when the lights and appliances constantly go on and off all

night. He commented that the CHP was having difficulties reaching LMUD and was not happy with the response they received from LMUD. Director Langston said that employee safety is top priority, but responses to the CHP should be made in a timely manner.

- Electric Operations Manager Folce said that blinking lights and appliances going on and off are caused by sagging lines. The new upgrades planned for the Janesville area should eliminate this problem. He will remind the crews to take heed and stay in close contact with him, as well as the authorities.

ITEM NO. 10: CONSIDERATION OF REQUEST FROM EDDIE BAUER TO WAIVE THE \$250.00 APPLICATION FEE FOR NEW ELECTRICAL SERVICE:

- GM Luhring said Mr. Bauer expressed a desire to appear before the Board and was notified that he was on the agenda, but Mr. Bauer was not present at this meeting. GM Luhring explained that the property in question had been vandalized and subsequently, for safety reasons, the electric meter was removed. Mr. Bauer purchased the property and began remodeling it and requested service. At that time, LMUD told Mr. Bauer that he would have to pay for a new service, but he did not feel it was a new residential service. Mr. Bauer had appeared before the Board earlier in the year during the public comment period. In order for the Board to make any decisions, it was necessary that this item be heard at a board meeting where it could be agendized properly.
- It was the consensus of the Board that LMUD should not waive their policy in regard to Mr. Bauer's request.

A motion was made by Director Nagel and seconded by Director Lavacot to deny Mr. Bauer's request to waive the \$250.00 application fee for new service. Floor 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: CONSIDERATION OF MANAGEMENT SALARY ADJUSTMENTS:

- General Manager Luhring stated that he had completed performance evaluations and fully supported a salary adjustment for management. He said he is extremely proud of these employees and felt they are deserving of a raise. He noted that all increases were within the District's approved salary ranges and the combined raises would amount to \$37,531 per year.
- Director Nagel stated that he cannot support the raises and said this is bad timing considering the poor economic condition. He felt the District offers a good wage and at least no cutbacks are being made. Director Nagel said we owe it to our customers to tighten our belts.
- Director Dow concurred with Director Nagel and stated that the District is asking for employee raises and at the same time is considering raising rates. Some hard decisions might have to be made including staffing cuts. He does not support the raises.
- Director Langston said the District has raised rates 2 cents over the past two years and raising rates another 2 cents is a scary thing. He said the economy is bad and the District needs to control spending. LMUD employees are paid well and have excellent benefits. He stated that he is not discrediting anything or anybody, but the District must tighten their belts.

- Director Lavacot agreed that the timing is bad, but management has not had a raise in 2 years and the raises were put in the current budget. He stated that the dollar amount of the combined raises is a very small portion of the District's administrative costs. He felt that the Board should have voiced their concerns at the time the budget was being prepared.
- Director Bowden agreed about the bad timing, but said these raises are in the budget and the Board needs to honor their word to the employees.
- General Manager Luhring stated that all the Board Directors bring up good points and he will honor whatever decision they make.
- Director Nagel stated that when the budget was being prepared, there was not a recession, but now we have to think proactively – the economy has taken a big hit. He said that he represents the constituents as a whole, not the employees.
- Director Dow said the 5% salary increase in the budget was not a promise to the employees, and the ultimate decision on approving raises lies with the Board. Whether there is a recession or not, the Board has an obligation to the ratepayers.
- Director Nagel made a motion to continue this item until the next board meeting as he wanted to see more detailed information concerning the existing wages. He suggested making this a standing item as we may know more in a few months, re: good water year, etc.
- Director Dow did not feel this needed to come before the board at every board meeting
- GM Luhring suggested holding this item in abeyance until the District gets a handle on expenses and the economy turns around.

There being no further Board discussion, Director Nagel amended his original motion and made a motion that this item be tabled until such time that the economy warrants further consideration. Director Dow seconded the motion. A call for the vote was as follows:

- Director Nagel – aye
- Director Dow – aye

- Director Bowden – no
- Director Langston – aye
- Director Lavacot – no

Motion passed.

ITEM NO. 12: STRATEGIC PLAN UPDATE:

- GM Luhring stated that he had met with the department heads and it was decided that the five top items in 2009 to begin addressing are: (1) Work orders; (2) Capital Outlay; (3) Staffing and the Org Chart; (4) Web site Redesign; and (5) Communications (internal and external). He said that as one item is pulled off, another one will be added. There will be ongoing status reports to the Board at least every other month.
- Capital Outlay: Electric Operations Manager Folce gave a presentation on capital projects for 2007/08 and long-range projects for 2010 and beyond. He said he hopes to fit these projects into a one million dollar budget per year. Mr. Folce stated that three top priorities are pole replacement, right-of-ways and continued maintenance.
- Director Lavacot asked what the life of a pole was. Mr. Folce replied approximately 40 years. He said that some of LMUD's existing poles are between 50 and 60 years old.
- Director Langston asked for the dollar figure the District saves by reducing line losses. GM Luhring said staff can calculate this amount and bring back to the Board.
- Director Dow felt that what staff was presenting was not strategic planning. He said we need to look at our business model – increase facilities and improve infrastructure. He said special sessions need to be held with the Board to look at innovative ways to perhaps finance big capital projects. He respects the expertise of staff, but we must be good business people and get the job done.

No further action was taken by the Board.

ITEM NO. 13: APPOINTMENT OF ALTERNATE MEMBER REPRESENTATIVE TO UAMPS:

- GM Luhring stated that the current alternate member representative to UAMPS is the former general manager. He recommends appointing Electric Operations Manager Folce to this position.

Director Dow made a motion to appoint Electric Operations Manager Dave Folce as the Alternate Member Representative to UAMPS; and authorize the Board President to send a letter to UAMPS regarding this appointment. Motion seconded by Director Langston. Floor 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. 14: CONSIDERATION AND POSSIBLE ACTION TO INCREASE THE DISTRICT'S KWh CHARGE AS DETERMINED BY THE POWER & DELIVERY COST ANALYSIS (PDCA) WORKSHEET:

- Accounting & Finance Manager Stewart pointed out the PDCA worksheet and analysis in the board packets. He stated that during the budget preparation in June, 2008, it was anticipated that there would be a 3% increase in doing business and that a 1 cent increase in rates would be necessary to meet the increase in doing business. There was a ½ cent rate increase in June, but nothing since.
- Director Nagel stated that times are tough and suggested holding off on making \$100,000 a month contributions to the Rate Stabilization Fund for the next 5 months. He suggested that there be no increase this winter and perhaps raise rates in the spring. Accounting & Finance Manager Stewart said his concern was that the District will fall behind as the District still needs to replenish cash.

- Director Dow said the Board should look at the agency that purchases and schedules most of LMUD's power (Western Area Power Administration). The Board needs their projected power rates in order to make a decision on whether to raise rates. He stated that he is not in favor of raising rates and feels the District needs to control costs. He agrees with Director Nagel's recommendation regarding the Rate Stabilization Fund. The money that would go into this fund can be used toward the District's operating expenses.
- Director Langston felt the major part of strategic planning is power procurement. This is the District's main artery. This is a vital component and needs to be moved to the top of the priority list. He agreed that the District needs to look at WAPA's rate structure. He is in favor of stopping the contributions to the Rate Stabilization Fund for a 3 month period and not to increase rates. We need to get through the winter when power usage is high for our customers.

A motion was made by Director Dow to not increase the KWh charge and suspend the contributions to the Rate Stabilization Fund at the rate of \$100,000 per month for the next 3 months. Director Nagel seconded the motion. Floor opened for public comment.

- Debi Stampfli said she was very proud of the Board for not increasing rates.

There being no further 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. 15: FUTURE BOARD MEETING SCHEDULE:

- Special Board Meeting on January 8, 2009 at 1:00 PM and Regular Board Meeting on January 27, 2009 at 5:30 PM.

Comments from out-going Board Director Matt Lavacot:

Mr. Lavacot said it has been an honor serving on the LMUD Board. He thanked management and the employees for their assistance and support.

He addressed the Board and asked them to think about their roles as effective board members. He said we have all grown a lot this past year. He said that one of his goals was to change the mindset of the Board. This is the first requirement to becoming a role model. Look at the future and learn and apply. As a governing body, you must find a way. Continuity in decision-making is very important. Before making a decision, research the issue at hand. Look at the far reaching implications that your decisions will have on the District. Put egos aside. Use your strengths. Visit the LMUD office often and talk to staff and ask, "What can we do to make each other better".

ITEM NO. 16: ADJOURN:

There being no further business, the meeting was adjourned at 7:50 PM.