

**MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
JANUARY 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, Engineering Technician Liz Griffin, IT/GIS Coordinator Mike Malone, Executive Assistant Karen Rollings, Administrative Assistant Chris Yarbrough, Accounting Technician Cady Schroeder and Board Secretary Jerri Kresge.

ITEM NO. 2: APPROVAL OF AGENDA:

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

ITEM NO. 3: REPORT OF CLOSED SESSION ITEM 5D FROM THE 1/4/08 SPECIAL BOARD MEETING.

- a. Conference with Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to Subdivision (b) of Section 54956.9 (2 cases).**

- President Bowden stated that there was no reportable action taken on Closed Session Item 5D.

ITEM NO. 4:

INVITATION FOR PUBLIC COMMENT:

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

- Eileen Spencer commented on the following:
 - Her attendance at board meetings since 2002 and her discontent on how the District's business was being conducted.
 - The PDCA (Power Delivery Cost Analysis) is deceptive and needs to be addressed by the Board. Power rates should be rolled back to 2006.
 - Public Benefit funds have been substantially depleted. Where did the money go?
 - LMUD's web site is not functional and should be refurbished.
 - LMUD needs a fair and honest Board who will give the public time to comment on agenda items.

President Bowden thanked Ms. Spencer for her interest and comments.

- Gordon Ponting distributed a copy of a letter regarding his feelings on (1) the incorrect agendaing of closed session items; (2) discussions in closed session and what the law allows; (3) reporting of closed session items in open session; and (4) discipline/dismissal of general manager. Mr. Ponting felt the Board was in violation of the law by not reporting to the public the discussions in closed session regarding the compensation of the former general manager who was dismissed without cause and received a year's salary. He felt the former general manager should have been dismissed with cause and not given a year's salary. Mr. Ponting stated it appeared that the Board is not following the Brown Act (which he felt was not

intentional). The Board needs to get back on track and involve the public.

General Counsel Jones commented to Mr. Ponting that she had not had a chance to review his letter, but felt that he was making assumptions on what was discussed in closed session. She continued that it was never the intention of the Board to mislead the public and she apologized if that was the way it appeared. She stated that the Brown Act had been complied with in the conduct of the meetings. Mr. Ponting disagreed with Ms. Jones' comments.

President Bowden thanked Mr. Ponting for his interest and comments and said General Counsel Jones would send him a written response.

- Jess Urionaguena thanked the Board for their quick action regarding the dismissal of the general manager. He did not agree with the former general manager receiving a year's salary and felt the Board should have let the public know why they made this decision. He said the public needs more transparency from the Board especially in decisions like the one above.
- Matt Giblin, Invenergy Project Manager, introduced himself to the new Board members. He said he was looking forward to getting acquainted with them, and if they had any questions regarding wind energy, to contact him.

ITEM NO. 5: STAFF MEMBERS' REPORTS:

- Acting General Manager, Ray Luhning, introduced Dave Folce, the District's Engineering & Operations Manager. Mr. Luhning said LMUD is fortunate to have Mr. Folce, as he is very knowledgeable and has a solid background in the areas of engineering and operations.
- Energy Services & Compliance Specialist Theresa Boucher stated that LMUD had been chosen Volunteer of the Year by the Lassen County Chamber of Commerce and would be presented the

award at the Chamber's Annual Dinner on January 25th. She congratulated all the employees of LMUD who made this award possible and invited everyone to attend the dinner.

ITEM NO. 6: BOARD MEMBERS' REPORTS:

➤ None.

a. Board Members' Meetings Attended Report.

➤ Director Lavacot reported that he attended a Western Area Power Administration Customer Service Meeting on January 18th in Folsom, California with Acting General Manager Ray Luhring. He said the meeting was very educational and he looks forward to future meetings. Mr. Luhring said that this was the first Western Customer Service Meeting he attended since joining LMUD and stated that Western is very willing to work with staff to help them better understand the power contracts that the District has with Western.

ITEM NO. 7: CONSENT AGENDA:

a. Approval of Minutes.

- Director Dow made a motion to approve the minutes as presented. Director Langston seconded the motion. Floor opened for public comment.
- Eileen Spencer questioned why there were so many sets of minutes to approve. She did not feel that the present Board could approve the minutes, since the meeting minutes occurred before the new board members were appointed.
- Board Secretary Jerri Kresge stated that due to unforeseen circumstances, the minutes were delayed from being placed on a board agenda for approval.

- General Counsel Jones said that the present Board could approve the minutes.

There being no further discussion, the motion passed unanimously.

ITEM NO. 8: ACCOUNTING & FINANCE MANAGER REPORTS:

- CASH POSITION REPORT: A&F Manager Stewart stated that the Cash Position Report before the Board tonight showed all the accounts of the District and reflected the District's cash balances as of 12/31/07. In the past six months, the District's cash balances have decreased approximately \$118,000. A good deal of this reduction is due to a Western Area Power Administration Operations & Maintenance funding commitment made by the District which increased LMUD's commitment to \$600,000 per month. These monies will start to come back to the District in the form of credits on Western's bills. Mr. Stewart stated that funds Western uses for O&M will show as credits against the District's energy consumption. The first credit appeared on Western's December, 2007, bill for approximately \$560,000. Director Dow asked if these monies had been budgeted. A&F Manager Stewart replied, no, they had not. Director Dow asked for a further explanation, as he was not familiar with this funding arrangement.
- General Counsel Jones replied that staff had researched the O&M commitment, and found that funding levels had been approved by the Board for lesser amounts than what the November, 2007, bill from Western reflected. She stated that the former general manager apparently increased the allocation to \$5,000,000 per year for a three year commitment (2009 – 2011). Ms. Jones, AGM Luhring, A&F Manager Stewart, and President Bowden will be meeting with Western on January 24th to get a better understanding of the District's Western contracts and where the District stands with its current O&M funding commitment.

- Director Dow asked that staff provide a more detailed explanation of this matter at the next board meeting.
- FINANCIAL STATEMENT AS OF 11/30/07: A&F Manager Stewart briefly explained the Balance Sheet and Income Statement.
- President Bowden questioned the General Administrative numbers, stating there were considerable variances. Mr. Stewart suggested waiting for the Finance Workshop to get into depth with these numbers. President Bowden concurred with this suggestion.
- Director Dow had the following questions/ comments/requests after reviewing the District's budget:
 - LMUD is a small, public utility and smart decisions must be made regarding the spending of District funds. He had reviewed the District's budget and had concerns on how the District's money was being spent.
 - He said a staffing plan and organizational chart needs to be on the agenda for a future board meeting. He also felt that the District needed a trained Human Resource Professional on staff.
 - In order to give him a better idea of what has happened to the cost of electricity year by year, Director Dow requested that A&F Manager Stewart convert the dollar value for energy costs to a unit value. He stated that this can be further discussed at the Finance Workshop scheduled in the near future.
 - He was concerned about the PDCA (Power Delivery Cost Analysis) and said this should be agendized for discussion at a future board meeting. He stated the budget reflects that sales to customers increased 2.4 million for the period 2005/06 to 2006/07. Purchase power only increased 1.2 million. Where is the other 1.2 million? He would like this researched and explained at the Finance Workshop.

- He asked what Benefit Allocation (Contra) meant? A&F Manager Stewart replied that benefit expenses from health insurance, workman comp, vacations, etc. are all charged to administrative accounts and then in order to redistribute the costs to the departments and the accounts where these costs belong, they are re-allocated based on the hours worked in the various departments. The Contra Accounts added together compared to the benefit expenses should net zero.
 - Director Dow felt the budget should be thoroughly reviewed (perhaps at a future board meeting or the Finance Workshop) to provide a clearer understanding of the operations of the District.
- CHECK REGISTER FROM 11/1/07 TO 1/18/08:
A&F Manager Stewart pointed out the payment to a former consultant (Don Battles) which included four invoices. He stated that LMUD did have a contract with this consultant. Director Dow asked if the consultant fulfilled his obligations; and did the District receive evidence of this consultant's work product? AGM Luhring replied that, at the present time, he did not have this information. He stated that most of this consultant's time was spent attending meetings, sending and receiving e-mails regarding projects in which he represented the District, phone conversations with the General Manager, etc. AGM Luhring said he sent the consultant a letter to cease any work he was doing for the District and to return his entire work product. AGM Luhring will follow up with a phone call to this consultant asking for all work product, with detail, for any services provided to LMUD. Director Dow agreed with this and said the consultant's payment should be held until this information is received.
- A&F Manager Stewart stated that the \$125.00 check for the reimbursement of the rental of Jensen Hall (to conduct interviews for the appointment of LMUD Board Directors by the Lassen County

Board of Supervisors) had been questioned and that was the reason he was bringing it to the attention of the Board. Director Nagel said the issue was that LMUD was not invoiced in its name; rather the invoice was forwarded to LMUD by the County for payment. Director Nagel stated he has known of lawsuits filed over matters like this and did not want to see the District potentially put in this position. Mr. Stewart said he will make sure LMUD is invoiced in its name before the check is released.

- Eileen Spencer commented that the County was obligated to hold the meeting to appoint Board members and felt LMUD should not pay for the rental of Jensen Hall.
- General Counsel Jones stated that the County was legally obligated to hold the meeting. In light of this, should LMUD pay for the hall rental?
- Director Dow said the County was acting on LMUD's behalf and he had no problem paying for the hall rental. The Board concurred with Director Dow.
- Director Langston asked about the retainer amount of \$7,500 paid to the District's General Counsel. He said that the General Counsel's Agreement with the District states that the retainer amount is \$5,000. Mr. Stewart responded that this payment was not just for December as noted on the Check Register, hence the larger amount.
- TREASURER APPOINTMENT: Director Dow asked A&F Manager Stewart if he had contacted the District's auditor regarding the appointment of a Treasurer. Mr. Stewart said he had made initial contact with the auditor, but had not received any information to date. Director Nagel commented that he had held the position of Board Treasurer and, initially, felt that a conflict existed by holding an appointed position (Board Treasurer) and an elective position (Board Director). This may still be the case, but on the flip side, he felt it was very educational that all the Board Directors, acting as

Alternate Treasurer, sign checks as this is very educational. Mr. Stewart stated that he appreciated the Board's comments and valued their opinion when they were signing checks and reviewing invoices. Director Dow said all options should be looked at before a decision is made to appoint a Treasurer.

ITEM NO. 9: REPORTS FROM ACTING GENERAL MANAGER:

- Acting General Manager Luhring reported on:
 - a. Meetings Attended. (1) Attendance at the Western Area Power Administration Customer Service Meeting on January 18th; (2) meeting scheduled with Western on January 24th to discuss the various contracts LMUD has with Western and (3) attendance at the January UAMPS meeting. AGM Luhring stated that UAMPS' General Manager, Doug Hunter, reported to the UAMPS Board that the IPA (Intermountain Power Agency) and LADWP (Los Angeles Department of Water & Power) filed a motion to dismiss the lawsuit filed by UAMPS and PacifiCorp, jointly, regarding the alleged breaching of their contracts with the Intermountain Power Project (IPP3). UAMPS will respond to their motion and the timeline for a hearing date is approximately 60 days out.
 - b. Report of cancellation of consultants and lawyers contracts and resultant estimated savings. AGM Luhring stated that letters had been sent to several consultants and outside legal firms asking them to cease immediately any work they are doing for LMUD and to return all their work product associated with the District. Staff investigated the costs over the last 12 months that the District paid for outside consultants and legal fees. Based on these figures, it is anticipated that there would be approximately a savings of \$200,936.00 for outside legal services and \$184,927 for outside consultants over a 12 month period. AGM Luhring said that staff will continue to look at the District's expenses in all areas to help reduce costs. Director Dow said

it is good business to constantly monitor costs. He stated that LMUD is a small utility and we need to be cost effective in all areas of spending. There will always be a time when the District needs outside lawyers and consultants, but this can be done on a case-by-case basis. Director Langston asked who on staff was involved in gathering information. AGM Luhring replied that A&F Manager Bill Stewart, Accounting Technician Cady Schroeder and Executive Assistant Karen Rollings worked together to gather the consultants and outside legal firms' costs and to determine the savings. Director Langston was concerned about the District cutting too deep, as outside expertise can be beneficial for the District. He asked if all outside legal services had been terminated. General Counsel Jones said that some legal firms had been retained who are working on current existing litigation cases for LMUD. AGM Luhring assured Director Langston that none of these consultants or legal firms had been terminated, but basically put on hold until further notice.

- Eileen Spencer asked if the letters sent to the consultants and outside legal firms were public documents. General Counsel Jones replied that they were. She also asked if General Counsel Jones' contract had been terminated. AGM Luhring replied no, it had not.

c. Upcoming meetings and conferences:

- January 24th meeting with Western Area Power Administration to review contracts.
- February 4th Labor/Management Meeting.
- CMUA Annual Conference in Monterey March 12-14.

ITEM NO. 10: REPORTS FROM ENGINEERING & OPS MANAGER:

- Engineering & Operations Mgr. Folce reported on:

- a. Westwood Substation: The new transformer for the Westwood Sub is in Reno and will be installed as soon as the crane service can deliver it. There have been problems with weather and, the fact that it is an overload situation with the crane, they have not been allowed to travel. The transformer is scheduled to be installed on Monday, January 28th with a 4-hour outage planned for Westwood. This is subject to change depending on when the transformer can be delivered.
- Eileen Spencer stated she lives in Westwood and her lights have been “dimming” for the last two weeks. EOM Folce stated there are several variables that could cause the lights to dim. He will follow up and contact Ms. Spencer if any problems are found.
- b. Outage Report: There was a system-wide outage on January 3rd due to a strong winter storm with high winds. On January 13th, Westwood experienced an outage due to a car pole that caused a blown power fuse on the transformer.

ITEM NO. 11: CONSIDERATION OF APPOINTMENT OF INTERIM GENERAL MANAGER AND SETTING OF STIPEND:

- Director Dow asked AGM Luhring what his present salary was and his ideas of what the stipend should be for the Interim GM. Mr. Luhring responded that his current salary is \$134,400 per year and that he felt it was at the pleasure of the Board whether there should be an increase in salary.
- Director Langston asked Mr. Luhring if he wanted to actively pursue the GM position. Mr. Luhring replied, yes he did.
- Director Lavacot asked if the Board was considering keeping AGM Luhring on for a certain period of time. President Bowden stated that this was his understanding; and that there would be a period of time, perhaps six months, before the Board considers what the next step will be, i.e., advertise for a GM or offer the position to Mr. Luhring.

- Director Dow stated that the Municipal Utility District Act (MUDA) does not put a specific time limit on the term of a general manager and felt the Board should follow what the MUDA states. He said that, at some point, the Board will need to discuss how they will proceed with hiring a permanent general manager and that Mr. Luhring would be in the running for this position since he is currently in the capacity of Acting General Manager.
- Director Lavacot asked if it would be reasonable to conduct a review of this position within a certain period of time.
- General Counsel Jones said she would prefer the review to be at the pleasure of the Board and not time specific.
- Director Dow felt the following needed to be considered by the Board:
 - The general manager is an at-will employee with no specific term of employment.
 - Possible 5% increase in salary (out of class raise) as stated in the District's MOU.
 - Standard benefits offered by the District would apply.
 - Mr. Luhring would be relinquishing his position as Assistant General Manager as there have been discussions that LMUD may not need this position.

Director Dow stated that if the Board and Mr. Luhring are in concurrence, this can be referred to General Counsel to draft an agreement to this effect.

- Director Langston reiterated that the general manager is an at-will employee and the Board can review this employee whenever they want. He stated that if Mr. Luhring is willing to accept the Interim GM Position at his current rate of salary, increases could be given as reviews are completed.
- Director Nagel stated that the law requires the Board to act on a general manager appointment. He would like to see Mr. Luhring stay on. He agreed that a contract is necessary and felt that a 5% salary increase should be given now.

There being no further Board discussion, Director Dow made a motion to appoint Ray Luhring as Interim General Manager with (1) no specific term of employment; (2) salary will be increased 5%; (3) standard District benefits will apply; (4) the Assistant General Manager position will be relinquished by Mr. Luhring; and (5) direct General Counsel to prepare an agreement to this effect. Director Lavacot seconded the motion. Floor opened for public comment.

- Eileen Spencer stated that “Interim” was an unnecessary step and Mr. Luhring should be appointed General Manager now.
- Jess Urionaguena stated that the District should not fill the Assistant General Manager position. He did not like the idea of a 5% salary increase now. He stated salary increases should be granted after reviews are conducted and given as merit increases.
- Director Dow stated the Board should look at the District’s staffing/organizational chart to determine if the Assistant General Manager’s position could possibly be eliminated and perhaps create a Human Resource position. He felt it was prudent for the Board to take a look at all their options and possibly do a search for a general manager. He said this is not detracting from Mr. Luhring in anyway, but felt it was the right thing to do. He stated that the position should be left as Interim General Manager for now.
- Director Langston asked Mr. Luhring what his title was when he joined LMUD. Mr. Luhring replied that it was Director of Engineering & Operations. Director Langston stated that Mr. Luhring acquired the title of Assistant General Manager which was tacked on to his current title (a new position was not created) so that he could take over during the absence of the general manager. He wanted to make the Board aware of the facts behind the Assistant General Manager position. He felt the position of Interim General Manager should stand, as the new Board Directors need time to get acquainted with Mr. Luhring. He does not agree with the 5% raise, but will go with the majority of the Board. Director Langston felt a search for a general

manager would be fruitless because the salary offered by the District will not attract experienced candidates.

- President Bowden agreed with the 5% salary increase due to the added responsibilities Mr. Luhring will take on as Interim General Manager.
- Director Nagel said the reasoning behind having an Assistant General Manager was that there needed to be a second in command in the absence of the general manager. He asked Mr. Luhring to bring back to the Board a formal recommendation on who that should be.

There being no further Board or public discussion, the motion passed unanimously.

- Accounting & Finance Manager Stewart asked when the 5% salary increase would start. The Board concurred that the increase would begin on Monday, January 21, 2008.

ITEM NO. 12: CONSIDERATION OF SETTING MEETING DATES/TIMES FOR REGULAR BOARD MEETINGS:

- Director Dow made a motion to hold the regular board meetings on the 4th Tuesday of each month at 5:30 PM in the LMUD boardroom. Director Langston seconded the motion.
 - Eileen Spencer requested that the agendas be posted on LMUD's web site on the Friday before the meetings instead of on Monday.
 - Energy Services & Compliance Specialist Theresa Boucher said the agendas are posted to the web site on Friday, but she was out of the office on that particular Friday. She stated that Board Secretary Jerri Kresge will soon have the capability of posting the agendas to the web site which will allow the postings to be done in a timely manner.

- Director Dow stated he would like to have the agendas on the Wednesday or Thursday before the board meetings.

There being no further discussion, the motion passed unanimously.

ITEM NO. 13: CONSIDERATION OF SCHEDULING WORKSHOPS FOR STRATEGIC PLANNING AND BOARD EDUCATION:

- Director Dow said these workshops are needed for a better understanding of District operations regarding finance, power contracts, strategic planning, organizational charts, public benefits, business office operations, etc. He asked about AB 1234 Ethics training and how this could be accomplished.
- General Counsel Jones said the training could be in the same format as the workshops. The next AB1234 training is due in June, 2008.
- A&F Manager Stewart said there will be an abundance of information to disseminate at these workshops and suggested that the workshops be time sensitive and held during the day. Director Dow said evenings work better for him, but he is flexible. Mr. Stewart also felt that these workshops should be for informational purposes only with no Board action taken. Director Dow stated that as a result of these meetings, there may be items placed on an agenda.

No further Board action was necessary.

ITEM NO. 14: CONSIDERATION OF REVIEW OF ALL LMUD LEGAL EXPENSES AND CONSIDERTION OF IN-HOUSE GENERAL COUNSEL:

- Director Langston stated that this item had been placed on a previous board agenda, but because that particular board meeting was adjourned and rescheduled, this item was not heard. He said the Board has been continuously looking at ways to cut expenses, where feasible, and investigating new sources of revenue to offset costs, excluding rate increases. One of the areas the Board was looking at was legal expenses and possibly hiring an In-House

- General Counsel. He stated that legal expenses are typically second in line to purchase power expenses.
- President Bowden said with so many changes taking place right now with the District, he did not want to address this item at the present time; and would be willing to revisit this in the future. He stated that the District will be saving approximately \$200,000 a year in legal fees by putting several legal firms on hold.
 - Director Dow asked if any studies had been done on the cost savings of having an In-House General Counsel. Director Langston said a packet of information had been put together for review at the above-mentioned board meeting that was adjourned before completion of the board agenda.
 - Director Dow felt that the current General Counsel contract needs to be reviewed and amended, as it narrows the job responsibilities by listing specific tasks.
 - General Counsel Jones will prepare an amended General Counsel Agreement for the Board's review which will include work hours and eliminating specific tasks. She stated that an In-House General Counsel could possibly compromise the checks & balances and confidentiality of the District.
 - Director Dow requested that the amended General Counsel Agreement be placed on the board agenda for the next meeting; and also that consideration of an In-House General Counsel be continued until the next board meeting.
 - Director Lavacot stated that the new Board Directors need to get their feet on the ground and said it was premature to consider hiring an In-House General Counsel now. He felt that the current General Counsel Agreement should be reviewed and amended. Director Nagel agreed with Director Lavacot's comments.

The Board concurred to continue the consideration of an In-House General Counsel until the next board meeting. No further action was taken by the Board.

ITEM NO. 15: FUTURE BOARD MEETING SCHEDULE:

- President Bowden stated that the next regularly scheduled board meeting will be held on February 26,

2008, at 5:30 PM in the LMUD Boardroom, 65 S. Roop Street, Susanville, CA.

ITEM NO 16: CLOSED SESSION:

- President Bowden read the Closed Session Items.

The Board adjourned to Closed Session at 7:41 PM.

A. Real Property Negotiations pursuant to Government Code §54956.8:

1. AT&T Equipment Site at Viewland off US 395 near Noble Emigrant Trail Marker approximately 10 miles north of Litchfield, CA. APN 109-010-04.
Agency Negotiators: Ray Luhring and/or Jaimee Jones
Negotiating Parties: AT&T and BLM Designees.
Under Negotiation: Price and Terms.
2. Railroad right-of-way from Wendel to Susanville.
Agency Negotiators: Ray Luhring and/or Jaimee Jones.
Negotiating Parties: Union Pacific.
Under Negotiation: Price and Terms.
3. Kinross Gold Hayden Hill Mine Site. 69KV Transmission Line located on County Road A-2 and State Route 139.
Agency Negotiators: Ray Luhring and/or Jaimee Jones
Negotiating Parties: Kevin Roach.
Under Negotiation: Price and Terms.

ITEM NO. 17: REPORT OF ACTION TAKEN (IF ANY) IN CLOSED SESSION

The Board returned to Open Session at 8:28 PM.

The following was orally reported for Closed Session Items A1, A2 & A3:

- No reportable action was taken.

ITEM NO. 18: ADJOURN:

There being no further business, the meeting was adjourned at 8:30 PM.