

**MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
SPECIAL BOARD MEETING**

June 19, 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 Vice-President Dow.

Roll Call by Board Secretary Jerri Kresge:

Director Nagel – present

Director Dow – present

Director Lavacot – present

Director Bowden – present (via teleconference)

Director Langston - present

Also Present: General Manager Ray Luhring, Electric Operations Manager Dave Folce, General Counsel Jaimee Jones, Accounting & Finance Manager Bill Stewart, 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:

Director Nagel felt that Agenda Items 11 & 12 should be heard out of order since the Board's decision on Item 12 (PDCA) could have an impact on the approval of the Budget (Item 11). Accounting & Finance Manager Stewart said the Budget could be approved contingent on the outcome of Item No. 12. General Counsel Jones stated she did not expect any action would be taken on Item No. 12, but the two Items can be considered out of order if that is what the Board desires. It was the consensus of the Board to hear Items 11 & 12 in order. There being no further discussion, a motion was made by

Director Lavacot and seconded by Director Nagel to approve the agenda as presented. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 3: **INVITATION FOR PUBLIC COMMENT:**
[Vice-President Dow opens the floor for public comment after pointing out the Rules for Public Comment.]

- None.

ITEM NO. 4: **STAFF MEMBERS' REPORTS:**

- Energy Services & Compliance Specialist Theresa Boucher reported on the Customer Appreciation Day to be held on Friday, June 20, 2008 from 11 AM until 3 PM in the parking lot of LMUD's Roop Street Business Office. There will be a hamburger and hotdog bar-be-que, energy efficiency kits will be given away and a drawing for an *Energy Star* television will be held.

ITEM NO. 5: **BOARD MEMBERS' REPORTS:**

- None.

a. Board Members' Meetings Attended:

- None.

ITEM NO. 6: **CONSENT AGENDA:**

- A motion was made by Director Nagel and seconded by Director Langston to approve the Consent Agenda as presented. Board Secretary, Jerri Kresge, stated that there was a change to the

5/27/08 Minutes for Item No. 11 in reference to the Hayden Hill Line. Instead of reading “*Purchase and Maintenance Agreement*”, it should read “*Operation and Maintenance Agreement*”. The original motion accepted this change and the second concurred. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 7: ACCOUNTING & FINANCE MANAGER REPORTS:

- Accounting & Finance Manager Stewart reported on the Check Register included in the board packet.

There was no Board discussion.

ITEM NO. 8: REPORTS FROM GENERAL MANAGER:

- The Tree Trimming RFP is complete and the Request for Bids Notice will be published in the local newspaper on June 24th and July 1st and will also be posted on LMUD’s website. The deadline for submitting bids is July 11th. GM Luhring stressed the importance of having a comprehensive tree trimming contract in place, as NERC has recently levied some hefty fines to entities for allowing trees to get into power lines.
- At the June UAMPS meeting it was discussed that NERC is requiring utilities to have a program in place regarding facilities that would be critical assets to the bulk electric system. Even though this does not apply to LMUD, a program still needs to be in place.
- A motion to dismiss was heard on May 29th regarding the litigation with the IPP3

Project. There should be a ruling within 60 days.

- General Manager Luhring stated that he and Accounting & Finance Manager Stewart attended a meeting at the Western Area Power Administration office in Folsom regarding the rate structure process. GM Luhring felt it was very important to attend these meetings and have input on the rate structure. The entire process may take up to two years to complete. The next meeting is scheduled for July 9th.
- Facility Charge: General Manager Luhring presented his PUC §14401 Report to the Board regarding LMUD's Facility Charge and recommended that the Board implement an increase in the Domestic, Non-Demand General Service and Agricultural Facility Charges from the current \$8.00 per meter to \$10.00 per meter. GM Luhring also recommended that the Facility Charge be reexamined annually with adjustments as justified and approved by the Board. The Board received GM Luhring's PUC §14401 Report and scheduled a public hearing to be held at the next regular board meeting on July 22, 2008 regarding the proposed increase to the Facility Charge. Such notice will be duly advertised according to the law in the local newspaper on July 1 & 8, 2008.

ITEM NO. 9: REPORTS FROM ELECTRIC OPERATIONS
MANAGER:

- Outage Report: There were two planned outages in Westwood, (1) for a cutover; and (2) for repairs to the transformer. Another outage occurred in downtown Susanville due to the upgrade from 4kV to 12kV.

ITEM NO. 10: CONSIDERATION OF BID AWARD FOR BUSINESS OFFICE REMODEL AND AUTHORIZATION FOR GENERAL MANAGER TO EXECUTE SERVICE CONTRACT:

- General Manager Luhring explained that, since the contract amount for the Business Office Remodel was over \$10,000, he was asking for Board approval to sign the contract. He commended Business Office Manager Keri Richards for her efforts in finally getting this project underway, which is a budget carryover item from last year. GM Luhring stated that this remodel is within the District's current budget.
- Business Office Manager Richards said that there are ADA (Americans with Disabilities Act) issues that the District is not in compliance with, as well as safety/privacy issues for both the customers and front office personnel. She said that this remodel will fulfill these requirements with the installation of new cabinetry and secure work stations for the Customer Service Reps. She stated that staff is requesting that the Board award the bid to Monath Construction who was the lowest bidder.

Board discussion ensued. General Manager Luhring and Business Office Manager Richards responded to the Board of Directors' questions. There being no further Board discussion, a motion was made by Director Nagel and seconded by Director Langston to award the Business Office Remodel Bid to Monath Construction and give approval to the General Manager to sign the contract which exceeds \$10,000. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 11: CONSIDERATION OF FY 2008/09 OPERATING BUDGET:

- Accounting & Finance Manager Stewart stated that the Budget before the Board had been thoroughly reviewed by the Budget Ad Hoc Committee. He stated that some significant changes in the Budget was a projected sales revenue increase by \$.01 per Kwh and a proposed increase to the Facility Charge of \$2.00 recommended by the General Manager. Mr. Stewart said that capital improvements had been trimmed some \$800,000; and other expenses had been adjusted accordingly. He thanked the Ad Hoc Committee Members (Directors Lavacot and Langston) for their input and time spent to come up with a viable budget and stated that the District operates under an “Enterprise Budget” which means that money needs to be generated before it can be spent.
- Director Lavacot thanked staff for their efforts and teamwork in looking for ways to conserve in the individual departments. He also thanked Accounting & Finance Manager Stewart and Director Langston for helping him understand the many aspects of preparing a budget.
- Director Langston thanked staff for their efforts and time. He pointed out the Revenue and Expense Budget Plan in the budget and felt it was very comprehensive because departments had made cuts and adjusted expenses. He stated that the \$.01 projected sales revenue increase would help meet the bond covenants, which is very important. Director Langston said that LMUD is like a government agency, i.e., we have to secure revenues to meet our commitments; and even if we have the money, we do not necessarily have to spend it.

A motion was made by Director Langston and seconded by Director Lavacot to approve the 2008/09 Operating Budget.

- Director Nagel felt the vote should be put on hold until the Board hears Item 12 regarding the PDCA. He said that having a public hearing regarding the proposed Facility Charge increase is right, but felt it would be a sham if the Board approved a \$.01 increase and then had a public hearing regarding Rate Schedule PDCA. He agrees with the budget, but has a problem with procedure.
- Director Langston agreed with Director Nagel and amended his original motion to state: “in direct compliance with the results of Board discussion on Item 12 (PDCA)”.
- Director Dow felt the budget could be amended, if necessary, after the PDCA Item is heard. He said that if the PDCA is District Policy, and it was not put on hold by the Board, this policy still needs to be followed.
- Director Langston stated that the PDCA procedure was put on-hold at the beginning of 2008 in order for the new board members to become familiar with it.
- Accounting & Finance Manager Stewart stated that no formal Ad Hoc Committee has been held to act on the PDCA process which is part of the criteria.
- Director Bowden stated that the PDCA process is still in effect. He recommended continuing with this format, except that the Ad Hoc Committee would present their findings to the Board for approval, which has not been done in the past. Director Dow agreed.
- General Counsel Jones suggested tabling the motion on the Budget and address the PDCA Item. She stated that if the PDCA is amended, a public hearing would be necessary.
- Director Nagel stated that the PDCA process should be followed as per the current criteria. There should be two PDCA Ad Hoc Committee meetings, one for the time period that has passed; and one for the current time period.
- Director Langston rescinded his original motion, stating Director Nagel was correct – the Rate

Schedule PDCA (Item 12) should be discussed before a decision is made on the Budget.

ITEM NO. 12: CONSIDERATION OF AMENDING OR RESCINDING RATE SCHEDULE PDCA, RECEIPT OF REPORT FROM GENERAL MANAGER AND SCHEDULING PUBLIC HEARING:

- General Manager Luhring stated that, in the past, the PDCA Ad Hoc Committee (comprised of two board directors, the controller and general manager) had the authority to initiate a rate increase as per the guidelines of the PDCA process and they would report their findings to the Board as an information item. GM Luhring made reference to his report included in the board packet and, under the OPTIONS Section, recommended Number 3 which would amend Rate Schedule PDCA to give greater flexibility on the amount of rate increases and timelines when initiating such increases. A public hearing would also be required when a rate increase is proposed.
- Director Nagel felt the District should continue to function under the criteria of the current Rate Schedule PDCA. Director Dow concurred.
- It was the consensus of the Board that a PDCA Ad Hoc Committee should be formed to look at the last two quarters to see if a rate increase of \$.0005 is necessary. *(Directors Nagel and Lavacot will serve on this committee)*. Also, an Ad Hoc Committee should be appointed to see if Rate Schedule PDCA should be amended. *(Directors Dow and Langston will serve on this committee)*.
- The Board requested that General Counsel Jones investigate the legalities of initiating back to back increases if the Rate Schedule PDCA warrants such increases.

No further Board action was taken.

Motion for Item 11 – Consideration of FY 2008/09 Operating Budget:

- Director Langston moved to approve the FY 2008/09 Operating Budget contingent upon the Rate Schedule PDCA Ad Hoc Committee recommendations.
- President Bowden said there should be no contingencies as the Budget can be amended if necessary. Director Langston withdrew his motion and requested that the remaining Board Directors make the motion.
- Director Nagel made a motion to approve the FY 2008/09 Operating Budget. Director Lavacot seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 13: BOARD MEETING SCHEDULE:

- The next regularly scheduled Board meeting will be held on Tuesday, July 22, 2008 at 5:30 PM in the LMUD Boardroom located at 65 S. Roop Street, Susanville California.

ITEM NO. 14: CLOSED SESSION:

- Vice-President Dow read the Closed Session Item.

The Board adjourned to Closed Session at 7:10 PM.

A. Conference with Legal Counsel – Anticipated Litigation. Significant exposure to litigation pursuant to Subdivision (b) of Section 54956.9 (1 case).

ITEM NO. 15: REPORT OF ACTION TAKEN (IF ANY) IN CLOSED SESSION:

The Board returned to Open Session at 7:33 PM.

The following was orally reported for Closed Session Item 14A:

- No reportable action was taken.

ITEM NO. 16: ADJOURN:

There being no further business, the meeting was adjourned at 7:34 PM.