

**MINUTES**  
**LASSEN MUNICIPAL UTILITY DISTRICT**  
**SPECIAL BOARD MEETING**  
**March 31, 2009**  
**5:30 P.M.**

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**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 President Nagel.

Roll Call by Board Secretary Jerri Kresge:

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

Also Present: General Manager Ray Luhring, Electric Operations Manager Dave Folce, Legal Counsel Hal Gartner, Accounting & Finance Manager Bill Stewart, Facilities Manager Paul Glau, Business Office Manager Keri Richards, Energy Services & Compliance Specialist Theresa Phillips, GIS/IT Coordinator Mike Malone, Engineering Technician Liz Griffin, Accounting Technician Cady Schroeder, Administrative Assistant Chris Yarbrough, Executive Assistant Karen Rollings and Board Secretary Jerri Kresge.

**ITEM NO. 2:      APPROVAL OF AGENDA:**

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

**ITEM NO. 3:      INVITATION FOR PUBLIC COMMENT:**

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

➤ None.

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

- SIR Base Allocation Resource - Business Office Manager Keri Richards stated that the Susanville Indian Rancheria has exceeded its base allocation and was sent two certified letters, one in February and again in March, requesting a meeting with them to discuss this matter. To date, a response has not been received. A deadline of May 1<sup>st</sup> has been set to take further action if no response is received.

Board discussion ensued. Business Office Manager Richards responded to the Board of Directors' questions.

- Update on OSHA Inspection: Electric Operations Manager Folce reported that District records were inspected by OSHA in December, 2008. The District received five citations, four involved hazardous waste. The District plans on contesting these charges, via an informal hearing, and ask for a waiver of the fines (\$1,840) or a portion thereof.

Board discussion ensued. Electric Operations Manager Folce responded to the Board of Directors' questions.

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

- No Report.
  - a. Board Members' Meetings Attended:
    - Director Vial reported on the CMUA Annual Conference he attended with Energy Services & Compliance Specialist Theresa Phillips on March 24-27. He thanked Ms. Phillips for showing him around and introducing him to various members of the power industry. Director Vial reported on the following breakout sessions he attended: (1) Federal and State Issues (the main focus was on the stimulus package and climate change); (2)

Renewable Portfolio Standards; (3) Smart Grid; and (4) Beyond Renewables and Demand Response (pushing Smart Grid and Smart Meters at home).

Board discussion ensued. Director Vial and Energy Services & Compliance Specialist Phillips responded to the Board of Directors questions.

Director Dow asked for an update on Invenergy's proposed Horse Lake Wind farm. General Manager Luhring stated that the District's Legal Counsel had reviewed the contract on the funding agreement which was very complicated. The contract was reduced considerably and accepted by Invenergy. Director Dow asked what PG&E's timetable was for doing the feasibility studies. General Manager Luhring replied 90 to 120 days after the funding agreements are in place. GM Luhring stated that he and Electric Operations Manager Folce will be meeting with Invenergy on Wednesday, April 8<sup>th</sup> and after the meeting, he will send the Board an e-mail to update them on this meeting.

**ITEM NO. 6:            APPROVAL OF MINUTES FROM THE FEBRUARY 24, 2009 REGULAR BOARD MEETING AND THE MARCH 10, 2009 SPECIAL BOARD MEETING:**

- A motion was made by Director Langston and seconded by Director Bowden to approve the minutes. Motion passed unanimously.

**ITEM NO. 7:            ACCOUNTING & FINANCE MANAGER REPORTS:**

- Accounting & Finance Manager Stewart presented to the Board a "mini" financial workshop on: (1) The Balance Sheet as of 1/31/09; (2) the Net Income Statement; (3) Cash Flow Analysis; and (4) the Financial Report.
- Accounting & Finance Manager Stewart also reported on the Check Register Report as of 3/23/09.

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

**ITEM NO. 8:            REPORTS FROM GENERAL MANAGER:**

- General Manager Luhring reported on:
  - a. Board Workshop on 4/20/09 at 1:00 PM:  
Topic will be Strategic Planning. Staff is putting together a power point presentation.
  - b. TANC (Transmission Agency of Northern California) Scoping Meetings: Several public scoping meetings are being held throughout the northern California area to gather input on a proposed project regarding building and upgrading transmission lines and associated equipment and facilities in northern California to improve electric system reliability and the delivery of California-based renewable energy. GM Luhring and Electric Operations Manager Folce will attend the meeting on 4/6/09 in Susanville.
  - c. Meetings Attended:
    - (1) GM Luhring and Accounting & Finance Manager Stewart attended a meeting regarding the CAISO and MRTU. WAPA is e-mailing daily updates as MRTU is scheduled to go-live on 4/1/09 and will continue to send updates. GM Luhring will keep the Board apprised as updates are received.
    - (2) Labor/Management meeting on 3/31/09.
    - (3) Talked with UAMPS regarding the proposed gas plant on property owned by LMUD; and NV Energy

regarding transmission and interconnections.

- d. Upcoming Meetings and Conferences:  
TANC meeting on 4/7/09; and Invenergy on 4/8/09.

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

- Outage Report: Electric Operations Manager Folce reported on the outages that occurred in March which were mainly caused by storms. The reliability index is at 99.6% which is very good.

Board discussion ensued. Electric Operations Manager Folce responded to the Board of Directors' questions.

**ITEM NO. 10:     CONSIDERATION OF BOARD GOVERNANCE POLICIES (NEW):**

- General Manager Luhring stated that the Governance Policies reflect the Board's changes and he recommends adoption of these policies. The policy on compensation and reimbursement is not included, as presently there are 5 or 6 policies that address this subject and staff is working on streamlining this policy. Accounting & Finance Manager Stewart suggests eliminating these policies and replacing with one policy that fits all.

The Board discussed: (1) adoption of the policies individually by resolution; (2) more time is needed for the Board to review the policies; and (3) the policies should be included in the next board meeting along with the redlined versions.

Director Bowden made a motion to continue the policy review to the next board meeting. The motion was seconded by Director Vial.

There being no further Board discussion, the floor was opened for public comment. No comment. Motion passed unanimously.

**ITEM NO. 11: DISCUSSION OF OUTLINE OF ATTORNEY SERVICES:**

- General Manager Luhring stated that staff had put the outline of attorney services together at the request of the Board. Staff is looking for ideas from the Board as to the contents of the outline; and to make sure everyone is on the same page regarding the District's requirements for legal services and how to fly the position.
- Hal Gartner, Interim Legal Counsel, will check to see if a General Counsel position has to be an officer of the District. Currently, the District's health plan states that officers will be covered under the plan.

Board discussion ensued. General Manager Luhring and Interim Legal Counsel Hal Gartner responded to the Board of Directors' questions.

Further Board discussion included: (1) the Board needs to decide if they want a General Counsel as an officer or to contract for legal services; and (2) hiring a professional firm to develop the RFQ (Request for Qualifications) or preparing in-house.

Mr. Gartner will prepare a comparison report on the pros and cons of hiring a General Counsel as an officer vs. contracting for legal services.

No further action was taken by the Board.

**ITEM NO. 12: CONSIDERATION AND POSSIBLE ACTION TO ADJUST THE DISTRICT'S KWh CHARGE AS DETERMINED BY THE POWER & DELIVERY COST ANALYSIS (PDCA) WORKSHEET:**

- Accounting & Finance Manager Stewart explained the PDCA worksheet and the Board's decision to suspend contributions to the rate stabilization fund for three months. It is time to decide whether to continue with this suspension or start making contributions to this fund. If contributions resume, a rate increase would be indicated.

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

Public Comment:

- Bob Pyle, a local rancher, stated that this was a bad time for a rate increase. He commented on the adverse impact to local businesses due to the bad economic conditions. He questioned why there had not been any public hearings on rate increases. He felt the public was not getting a clear picture according to what was on the board agenda; and the public should be given the opportunity to comment on any proposed rate increase.
- President Nagel commented that the Board was just looking at this tonight and no decision had been made one way or the other regarding a rate increase.

Director Dow made a motion to leave the rates the same and continue not to fund the Rate Stabilization Fund. Director Bowden seconded the motion.

Board discussion ensued regarding using excess SB-1 monies in the budget. Accounting & Finance Manager Stewart and Energy Services & Compliance Specialist Phillips responded to the Board of Directors' questions.

There being no further discussion, the floor was opened for public comment. No comment. Motion passed unanimously.

**ITEM NO. 13: FUTURE BOARD MEETING SCHEDULE:**

- Board Workshop on April 20, 2009 at 1:00 PM; and Regular Board Meeting on April 28, 2009 at 5:30 PM.

**ITEM NO. 14: CLOSED SESSION:**

President Nagel read the Closed Session Items.

The Board adjourned to Closed Session at 8:25 PM

- A. Conference with Legal Counsel – Existing Litigation (Subdivision (a) of Government Code §54956.9):

1. David L. Jenne vs. Lassen Municipal Utility District Lassen County Superior Court Case #42831.
  2. Eileen Spencer vs. Lassen Municipal Utility District, California Court of Appeal, 3<sup>rd</sup> Appellate District, Case #36791, C048829, C047584 .
  3. Steven Trevino and Amy Trevino vs. Lassen Municipal Utility District, et al. U.S.D.C. Eastern District Action No. 2:07-CV-02106 LKK DAD.
- B. Conference with Legal Counsel – Anticipated Litigation (Pursuant to Government Code §54956.9).
1. (Real Property): APN's 101-150-23 and 101-150-02 (1545 & 1555 Chestnut Street.)
- C. Public Employee Performance Evaluation. Title – General Manager (Pursuant to Government Code §54957).

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

The Board returned to Open Session at 10:34 PM

Report of Action Taken in Closed Session:

- Closed Session Item 14A-1: On motion duly made and seconded, the Board resolved to accept the offer of settlement in *David L. Jenne v. Lassen Municipal Utility District*, Lassen County Superior Court Case No. 42831, authorized counsel to sign the stipulation to quiet title on Mr. Jenne's property and authorized the General Manager to sign the Mutual Release and Settlement Agreement.
- Closed Session Item 14A-3: By motion duly made and seconded, the Board resolved not to immediately appeal the Court order in the matter of *Steven Trevino and Amy Trevino v. Lassen Municipal Utility District, et al.*, U.S.D.C. Eastern

District Case No. 2:07-CV-02106 LKK DAD, and allow Mr. Trevino to be reinstated and return to work on May 1, 2009.

- No reportable action was taken on Closed Session Items 14A-2, 14B and 14C.

**ITEM NO. 16:     ADJOURN:**

There being no further business, the meeting was adjourned at 10:40 PM.