

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
MAY 27, 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: 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:

A motion was made by Director Dow and seconded by Director Langston 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.]

- Matt Sayles, Executive Director, Lassen Land & Trails Trust (LLTT), stated that they had received funding from the Wildlife Conservation Board and everything was on track for them to acquire the Modoc rail line corridor. LLTT is excited that

LMUD is negotiating to acquire the railroad right-of-way from Wendel to Susanville and is anxious to partner with LMUD to preserve these rail corridors. Director Nagel asked what was happening with the rail line from Wendel to Flanigan. Mr. Sayles replied that he was not sure of the status, but felt there was still some interest in retaining this corridor.

ITEM NO. 4: STAFF MEMBERS' REPORTS:

- Facilities Manager Paul Glau reported on the soil contamination on property owned by LMUD located at 1545 Chestnut Street in Susanville. He explained that the District was working with County and State officials, as well as a consultant who has expertise in soil contamination. Mr. Glau gave an overview of the test holes that had been drilled to take soil samples. He stated that the District is complying with all state and local laws that govern soil contamination to resolve this issue.
- In another soil contamination incident, Facilities Manager Glau reported on the soil testing at the Modoc Substation. He stated that soil had been tested inside the substation and the next step was to go outside the fence around the substation and make sure the spill did not contaminate a larger area. He said that tests revealed three sites of contamination and indicates the contamination is minimal and contained within the substation. Mr. Glau felt the contamination occurred during a routine maintenance operation at the substation at least 10 years ago and said the District will complete the cleanup of the site.

ITEM NO. 5: BOARD MEMBERS' REPORTS:

- None.

a. Board Members' Meetings Attended:

- President Bowden reported that he had attended a Board of Supervisors' meeting with General Manager Ray

Luhring. He stated that the Board of Supervisors granted permits for wind towers.

ITEM NO. 6: CONSENT AGENDA:

- A motion was made by Director Dow and seconded by Director Nagel to approve the Consent Agenda as presented. Floor opened for public comment. No comment. 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 ACTING GENERAL MANAGER:

- UAMPS/IPP3: May Meeting.
 - UAMPS' motion for an extension of the air permit for the IPP3 Project was granted for another 18 months until October, 2009. Air permits are hard to obtain and this needs to be in place in order to move ahead with the IPP3 Project.
 - At the July UAMPS meeting, General Manager Luhring will be facilitating a meeting between UAMPS and Invenergy General Manager, Doug Carter, regarding Invenergy developing a wind farm site for UAMPS.
- Upcoming Meetings and Conferences:
 - UAMPS meeting June 16-18.

- American Public Power Association (APPA) conference in New Orleans June 23-25.
 - Customer Appreciation Day June 20th. Hotdog & hamburger bar-be-que in LMUD's Business Office parking lot on Roop Street.
- Status of Service Contracts either terminated or suspended.
- GM Luhring stated that final termination letters have been sent to Pezzullo & Gussett, CPA's; Pamela Hurt Associates; and Don Battles, Consultant. Several other service contracts are still on hold in case the District needs their services.

ITEM NO. 9: REPORTS FROM ELECTRIC OPERATIONS MANAGER:

- Status of Capital Improvement Program – 2008/09 and beyond: Electric Operations Manager Folce reported on the following capital improvement projects:
- Cutover last two sections of 4.16 kV that was originally fed from the Meadowview Sub, currently fed off of Chestnut Sub, to 12.47 kV fed out of Milwood 12 kV Sub. Project complete.
 - Rebuild part of Christie and all of Pine Street in Janesville to help balance the load. *Project complete.*
 - New transformer in Westwood Sub installed; and a new control building for SCADA has been built. *Project complete.*
 - Milwood Sub – replace 150 transmission line (*2008/09 budget item*).
 - Convert 4 kV system to 12 kV in downtown area. *On-going.*

- Replace deteriorated equipment in the Standish Sub. (2008/09 budget item).
 - Eliminate Mapes Sub. Convert to 12.47 kV out of Standish Sub. (2008/09 budget item).
 - Replace utility poles. On-going project. (2008/09 budget item).
 - Replace 150 transmission line over Bass Hill. (2008/09 budget item).
- Electric Operations Manager Folce stated the main purpose of all the capital improvement projects is to improve reliability. He said that the District will be formulating a 10-year work plan which will be used as a guide for the completion of capital improvement projects.
- Outage Report: The outage that occurred at the end of April happened during the SCADA system installation when a fuse was removed, as the result of poor wire schematics, which shut down the 200 line. These wire schematics have now been upgraded with the correct information. General Manager Luhring commended Electric Operations Manager Folce for his efforts during the installation and completion of the SCADA system.

ITEM NO. 10: PRESENTATION OF JOURNEYMAN LINEMAN CERTIFICATES TO CORT CORTEZ AND COREY KINDLE:

- General Manager Luhring congratulated Mr. Cortez and Mr. Kindle on their accomplishment in attaining Journeyman Lineman status. He presented a certificate of completion to Mr. Kindle. Mr. Cortez was unable to attend the meeting and will be presented his certificate at a later date.

ITEM NO. 11: UPDATE ON KINROSS GOLD HAYDEN HILL MINE SITE. 69KV TRANSMISSION LINE LOCATED ON COUNTY ROAD A-2 AND STATE ROUTE 139:

- General Manager Luhring and General Counsel Jones met with John Ketelsen, CEO of Lassen County, regarding the Hayden Hill transmission line. LMUD has a purchase agreement with the County and has taken possession of this line. LMUD is accepting liability for the line only. General Counsel Jones stated acquisition of the line requires mitigation and, if necessary, bond requirements. Dan Silveira, General Manager of Surprise Valley Electric, is interested in an operation and maintenance agreement with LMUD until the District is ready to take over the line.

No further Board action was taken.

ITEM NO. 12: CONSIDERATION OF ENTERING INTO NEGOTIATIONS WITH INVENERGY FOR A PROPOSED INTERCONNECTION AGREEMENT:

- General Manager Luhring stated that Invenergy is requesting an Interconnection Agreement from LMUD in regards to the wind farm Invenergy is proposing to construct in Lassen County. GM Luhring said he is looking for direction from the Board to proceed in developing this agreement and presenting it to the Board for approval.
 - Todd Swickard, local rancher, felt that the wind turbines placed on top of ridges would be quite invasive. He said this proposed wind farm, which encompasses hundreds of thousands of acres, is the largest land use request that Lassen County has seen. This kind of undertaking needs to be done properly with a public hearing to let the citizens decide. Mr. Swickard said that Lassen County is working on the

Energy Element and this needs to be accomplished first. We need to look at the big picture. He said there are some positives for LMUD, but the Board needs to take everything into consideration. He stated that it is too early to enter into any kind of agreement.

- Director Dow stated that, since LMUD is not the lead agency, it is not their responsibility to approve/disapprove this proposed project. The Board's responsibility is to make sure this project will benefit LMUD and its ratepayers. Director Dow suggested forming an Ad Hoc Committee to work with the General Manager and General Counsel on this proposed project.
- Director Langston asked what the status of this project was. Matt Giblin, Invenergy Project Manager, replied that Invenergy has submitted applications to Lassen County and the Bureau of Land Management (BLM). Invenergy is working with them to determine who will own the facilities within the project. A "determination of completeness" needs to be filed; and the CEQA NEPA, EIS and EIR processes need to be initiated as well. He stated that whoever makes the first application becomes the lead agency. Mr. Giblin said that the Interconnection Agreement requested from LMUD has no bearing on the project's approval, but the agreement is needed to get the process started.
- General Manager Luhring stated that LMUD, as the responsible agency, will have the option to comment on the documents.

There being no further discussion, Director Dow made the motion to form an Ad Hoc Committee to work with the General Manager and General Counsel to study this proposed project and negotiate an agreement. Motion seconded by Director Nagel. Floor opened for public comment. No comment. Motion passed unanimously.

- President Bowden and Director Dow will serve on the Ad Hoc Committee.

ITEM NO. 13: CONSIDERATION OF RESOLUTION 2008-01 – TERMS OF ELECTRIC DISTRIBUTION SERVICE AGREEMENT:

- General Manager Luhring stated that the Terms of Electric Distribution Service Agreement protects both LMUD and the customers and will be handed out to customers when applicable.
- Director Langston asked if a policy already existed. GM Luhring replied that he checked LMUD's policies and could not find anything.

There being no further Board discussion, a motion was made by Director Nagel to approve the Terms of Electric Distribution Service Agreement. Motion seconded by Director Lavacot. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 14: CONSIDERATION OF INCREASING THE SOLAR REBATE AMOUNT FROM \$2.80 TO \$3.50 A WATT FOR RESIDENTIAL CUSTOMERS:

- Energy Services & Compliance Specialist Theresa Boucher explained that utilities' participation in the Solar Initiative Program (SB-1) is required by California law. The District started developing the program in 2006/07 and implemented the program in January, 2008. This program is funded through a state-mandated provision where utilities put aside a certain amount of money for solar installations. Currently, \$264,000 has been collected. When the program was being developed, the \$2.80 figure for residential was selected because it appeared to be a "safe" amount, but there has been little interest in the program. Staff feels that increasing the solar rebate amount to \$3.50 a watt would be more attractive and hopefully, invite participation from residential customers.
- Director Dow felt that \$3.50 a watt was too low as the object is to spend the money. He asked if there was a cap. Energy Services & Compliance Specialist Boucher responded the cap was 5 KW for residential.

There being no further Board discussion, a motion was made by Director Dow to increase the photovoltaic rebate amount for residential customers to \$4.00 a watt. Director Nagel seconded the motion. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 15: FUTURE BOARD MEETING SCHEDULE:

- It was the consensus of the Board to cancel the regular board meeting on Tuesday, June 24, 2008 and schedule a special board meeting on Thursday, June 19, 2008 at 5:30 PM in the LMUD Boardroom located at 65 S. Roop Street, Susanville, CA.

ITEM NO. 16: CLOSED SESSION:

- President Bowden read the Closed Session Item.

The Board adjourned to Closed Session at 7:00 PM.

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

1. 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.

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

C. Public Employee Performance Evaluation. Title: General Manager (Pursuant to Government Code §54957).

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

The Board returned to Open Session at 8:48 PM.

The following was orally reported for Closed Session Items 16A, 16B & 16C:

- No reportable action was taken.

ITEM NO. 18 ADJOURN:

There being no further business, the meeting was adjourned at 8:49 PM.