

**MINUTES**  
**LASSEN MUNICIPAL UTILITY DISTRICT**  
**REGULAR BOARD MEETING**  
**FEBRUARY 23, 2010**  
**5:30 P.M.**

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**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 Langston.

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, Accounting & Finance Manager Bill Stewart, Legal Counsel Eugene Chittock, Energy Services Manager Theresa Phillips, Executive Assistant Karen Rollings, Administrative Assistant Chris Yarbrough and Board Secretary Jerri Kresge.

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

Legal Counsel Chittock requested that Closed Session Item 14-C (*Board Member's Conflict of Interest Policy*) be moved to 14-A; and 14-A (*Conference with Legal Counsel-Significant exposure to litigation pursuant to Government Code §54956.9(b)-(1 case)*) be moved to 14-B. Director Dow questioned why any subject matter that referred to a policy would be placed in Closed Session for discussion. Mr. Chittock said that the word "policy" should be deleted from Closed Session Item 14-C, as the subject matter of this item did not refer to a policy per se, but to issues as they relate to pending litigation. This Item should read: "*Board Members' conflict of interest as it relates to pending litigation*". Director Bowden made a motion to approve the agenda as amended. Director Nagel seconded the motion. Floor opened for public comment. No Comment. Motion passed unanimously.

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

- No public comment.

**ITEM NO. 4: STAFF MEMBERS' REPORTS:** None.

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

- Director Nagel stated he has been assisting LMUD staff with the CEQA process in conjunction with the siting of the Mapes Substation.
- Board Members' Meetings Attended: Director Dow continues to attend the monthly meetings of the Municipal Utility Financing Authority (MUFA) that has been meeting in the LMUD boardroom with some members participating telephonically. The initial meetings have been about the procedures for bonding.

**ITEM NO. 6: APPROVAL OF THE MINUTES FROM THE JANUARY 26, 2010 REGULAR BOARD MEETING:**

Director Bowden made a motion to approve the Minutes as presented. Director Dow seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed.

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

- Accounting & Finance Manager Stewart reported on (1) the Cash Position Report at 1/31/10; (2) the Check Register from January 21 – February 13, 2010; and (3) the Financial Statements.

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

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

General Manager Luhring reported on:

➤ Meetings Attended:

- a. GM Luhring and Electric Operations Manager Folce met with Invenergy to discuss existing projects. Invenergy has re-submitted their Plan of Development (POD) with BLM and expect an acceptance in March. The proposed 230 KV transmission line project was also discussed.
- b. GM Luhring, Electric Operations Manager Folce and Accounting & Finance Manager Stewart met with personnel from the Wineagle Geothermal Power Plant. Ownership has changed and their contract with LMUD needs to be updated with current language and new rates as it was originally written in 1984 with CP National language. GM Luhring said henceforth, whenever a contract is updated, it will be consistent and the same rate will be charged for low voltage (under 100 KV) and likewise for high voltage (over 100 KV).
- c. Met with personnel from Amedee Geothermal Power Plant. They have a generator down and at this point, are not sure whether they will close down the generator completely or expand the plant. If the plant is expanded, there is a possibility that LMUD could pick up 8 MW if the price is right. There would be no transmission costs for LMUD.
- d. GM Luhring and Electric Operations Manager Folce gave a presentation on the proposed 230 KV transmission line project to members of the Sierra Sub-Regional Planning Group (SSPG) which was well received. SMUD, a member of this group, is very interested and will be in contact with LMUD. Met with TANC, who is also a member of the SSPG, after this meeting. They are extremely interested in the 230 KV transmission line project.

➤ Status of LMUD Transmission Tariff:

- a. Staff is working with LMUD's Legal Counsel and Attorney Lisa Gast to finalize the transmission tariff.
  - o Board discussion ensued on the importance of having a transmission tariff in place in light of what is transpiring with the geothermal plants and other contracts that will need to be updated; and the possibility of the 230 KV transmission line project becoming a reality.

➤ Upcoming Meetings and Conferences:

- a. A meeting is scheduled with solar developers the first part of March to discuss a proposed 20 MW project.

b. The Municipal Utility Financing Authority will meet on 2/24/10 at 1:00 PM in the LMUD Boardroom.

- Western Area Power Administration (WAPA) Reserve Costs: General Manager Luhring explained the meaning of resource adequacy which ensures that there is enough capacity to fulfill an entire load. WAPA was operating under their resource adequacy plan and experienced a shortfall by not purchasing enough MW's to meet the resource adequacy quota sufficient to satisfy the California Public Utilities Commission (CPUC). The California Independent System Operator (CAISO), which is under a mandate from the CPUC, billed WAPA \$396,368 for this shortage. LMUD's share of this is \$37,186 for January, 2010. WAPA personnel said that this charge is expected to continue until the CPUC changes their methodology for calculating resource adequacy requirements that the CAISO must abide by. WAPA is still trying to have their resource adequacy plan approved by the CPUC.

Board discussion ensued. General Manager Luhring responded to the Board of Directors' questions. Director Langston was concerned about LMUD being subject to retroactive costs. General Manager Luhring said he would check into this.

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

- Outage Report: Electric Operations Manager Folce stated that there was an outage in the Leavitt Lake area at the beginning of February that affected approximately 50 customers – cause unknown. On February 11<sup>th</sup>, there was an outage that affected approximately 677 customers. A reclosure opened on Antelope Mt. and after troubleshooting in different locations, it was discovered that three circuit boards were burned out. Diagnostics will be performed on one of the boards to determine the cause. New boards have been purchased.

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

- Update on the Chestnut Street Soil Remediation Project: Electric Operations Manager Folce stated that four bids were received for the Chestnut Street project. Due to LMUD's error in the bidding process, this project has been suspended until further notice and all bid documents received have been returned to the Bidders. LMUD's Legal Counsel is reviewing the District's bid package and hopefully, this project will be re-bid soon.

Board discussion ensued. Electric Operations Manager Folce responded to the Board of Directors' questions. The Board agreed that it was a wise decision to postpone this project until all the correct paperwork and bidding processes are in place.

**ITEM NO. 10: PURCHASE ORDERS #2010022 AND #2010023 FOR TRANSFORMERS AND ASSOCIATED EQUIPMENT:**

- Electric Operations Manager Folce stated that the materials being ordered are for the conversion in the downtown area of Susanville. Funds for approved capital projects in the budget are being allocated to different areas of capital improvement so that necessary work can be completed where needed, while the District waits on permitting processes, etc. for the substation conversions. Director Dow felt that re-arranging work is good business and is an important piece of the puzzle to reduce line losses and increase reliability.

Board discussion ensued. Electric Operations Manager Folce responded to the Board of Directors' questions. Director Nagel highly recommended that the Board take a tour of the systems. General Manager Luhring will schedule the tour for sometime in May.

There being no further discussion, Director Bowden made a motion to approve Purchase Orders 2010022 and 2010023. Director Dow seconded the motion. Director Bowden amended his motion to include, "and give General Manager Luhring the authority to sign the purchase orders". The second to the motion concurred with this amendment. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed.

**ITEM NO. 11: DISCUSSION ON UAMPS NATURAL GAS STUDY PROJECT:**

General Manager Luhring stated that he was not able to obtain all the information he needed from UAMPS to address this item as an action item. Hopefully, he will have the information on costs, reimbursements, off-ramps, etc. to present at a future board meeting to help decide if LMUD wants to participate. UAMPS has moved this project from a resource project to a study group as the time has come to make a decision on where a natural gas plant will be sited. There are 13 members of UAMPS so far that have committed to this venture. If a gas plant is sited in Susanville, it would be the heat recovery type with a steam generator. General Manager Luhring felt that if a gas plant is sited in Utah, it would not be feasible for LMUD without an interconnection to the RAT line.

The Board TABLED this item until further information is available.

**ITEM NO. 12: SET DATE FOR BOARD WORKSHOP IN MARCH TO REVIEW THE DISTRICT'S SERVICE, BILLING AND COLLECTION POLICY:**

The Board Workshop will be held on Monday, March 15, 2010, at 5:30 PM in the LMUD boardroom, 65 S. Roop Street, Susanville, CA.

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

- Special Board Meeting on March 15, 2010 at 5:30 PM; and Regular Board Meeting on March 23, 2010 at 5:30 PM.

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

President Langston read the Closed Session Items.

The Board adjourned to Closed Session at 6:55 PM.

- A. Board Members' conflict of interest as it relates to pending litigation.
- B. Conference with Legal Counsel: Significant exposure to litigation pursuant to Government Code §54956.9(b) – (1 case).
- C. Review current Memorandum of Understanding between Lassen Municipal Utility District and IBEW Local Union 1245.
- D. Update on Hayden Hill Transmission Line Negotiations.

The Board returned to Open Session at 7:55 PM.

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

The following was orally reported for Closed Session Items 14-A, 14-C & 14-D:

- No reportable action was taken.

The following was orally reported for Closed Session Item 14-B:

- Director Langston and Director Nagel recused themselves from discussion and involvement in Closed Session Item 14-B, significant exposure to litigation Case No. 2:10-cv-00286-MCE-DAD, due to a potential conflict of interest.

**ITEM NO. 16: ADJOURN:**

There being no further business, the meeting was adjourned at 7:57 PM.