

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
APRIL 27, 2010
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 Langston.

Roll Call by Board Secretary Jerri Kresge:

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

Also Present: General Manager Ray Luhring, Electric Operations Manager Dave Folce, Accounting & Finance Manager Bill Stewart, Legal Counsel Eugene Chittock, Business Office Manager Keri Richards, Energy Services Manager Theresa Phillips, Engineering Technician Liz Griffin, Accounting Technician Cady Schroeder, Executive Assistant Karen Rollings, and Board Secretary Jerri Kresge.

ITEM NO. 2: APPROVAL OF AGENDA:

Director Bowden made a motion to approve the agenda as presented. 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.]

- Bob Gaumont, former employee of Lassen Municipal Utility District, questioned the change in brokerage firms for the District's medical plan. He stated that the former brokerage firm was very professional, their fees were low and they had done an excellent job. He was concerned that the new firm would not perform up to these standards. He

said that, in the past, the former firm was always available to answer questions and provide assistance with problems. He felt that the new firm would not provide comparable services.

- Accounting & Finance Manager Stewart stated that it was a business decision to change brokerage firms and felt that the new firm would provide a greater depth of expertise. He said they have a benefit division and a great number of resources available. The former firm will still handle the District's retirement benefits. Mr. Stewart stated that whenever there is a question or a problem regarding the District's benefits, he should be the first point of contact.

- Rick Brown, President of TerraVerde Renewable Partners, gave the Board an overview of TerraVerde's existing, current and proposed solar energy projects. They are interested in participating in LMUD's Photovoltaic Program. One proposed project they are currently working on is for the County of Lassen. He explained tentative plans to site a solar facility at the Lassen County Fairgrounds and then aggregate to different County Locations.
- Energy Services Manager, Theresa Phillips, explained that LMUD's current policy for solar installations does not allow for solar generation at one site and off-setting load at another site (aggregation).

Board discussion ensued. General Manager Luhring and Energy Services Manager Phillips responded to the Board of Director's questions. There being no further discussion, the Board directed staff to meet with Mr. Brown and discuss TerraVerde's proposed solar project at the County Fairgrounds and the possible benefits for both Lassen County and LMUD.

No further action was taken by the Board.

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

ITEM NO. 5: BOARD MEMBERS' REPORTS: None.

ITEM NO. 6: APPROVAL OF THE MINUTES FROM THE MARCH 15, 2010 SPECIAL BOARD MEETING; AND THE MARCH 23, 2010 REGULAR BOARD MEETING:

Director Bowden made a motion to approve the Minutes as presented. Director Vial 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 Nagel – aye (abstained from the 3/15/10 minutes-absent)
- Director Langston – aye (abstained from the 3/23/10 minutes – absent)
- Director Vial – aye

Motion passed.

ITEM NO. 7: ACCOUNTING & FINANCE MANAGER REPORTS:

- Accounting & Finance Manager Stewart reported on the Cash Position Report at 3/31/10 and the Check Register from March 19 – April 21, 2010.

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:

- Meetings Attended:
 - a. (1) Met with TANC personnel regarding the proposed 230 KV transmission line. (2) Met with WAPA personnel regarding the Transmission Infrastructure Program (TIP). They are very interested, as this program fits into their strategies for future goals. WAPA is willing to help the District put together a Business Plan and Risk Analysis.
- Upcoming Meetings and Conferences:
 - a. (1) Meeting on April 28th with the law firm of Duncan, Weinberg, Genzer & Pembroke in Sacramento to discuss large and small generator agreements and LMUD's open access transmission tariff (OATT). A workshop will held in June to familiarize the Board with the OATT. (2) Union negotiations will be held May 12 & 13; and May 26 & 27. Staff will update the Board as necessary. (3) General Manager Luhring will be one of the speakers at a seminar at the local college on April 30th, attended by Assemblyman Dan Logue. The topic of discussion will be "California regulations that make everyone's job harder".

Board discussion ensued. General Manager Luhring responded to the Board of Directors' questions.

ITEM NO. 9: REPORTS FROM ELECTRIC OPERATIONS MANAGER:

- Outage Report: Electric Operations Manager Folce stated that an outage occurred on April 11th that affected all areas except Westwood which was caused by a tripped breaker – PG&E was at fault. A system-wide outage occurred on April 27th that was weather related and caused the 60 KV system/200 line out of Westwood to be lost.

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

ITEM NO. 10: AB 2021 ENERGY EFFICIENCY GOALS:

- Energy Services Manager Phillips stated that, in accordance with AB 2021, the Board initially adopted an energy efficiency target of 250,000 kilowatt hours in July, 2007. The District exceeded this target by 91% and she recommended that the Board approve a new three-year energy efficiency target of 375,000 kilowatt hours per year.

Board discussion ensued. Energy Services Manager Phillips responded to the Board of Directors' questions.

There being no further discussion, Director Dow made a motion to accept the new energy efficiency target as recommended. Director Bowden 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 Nagel – aye
- Director Langston - aye
- Director Vial – aye

Motion passed.

ITEM NO. 11: NEW 10/12.5MVA TRANSFORMER QUOTATION EVALUATIONS:

- Electric Operations Manager Folce stated that the District received five bids for the purchase of transformers for scheduled capital projects. He explained the analysis he prepared depicting the pros and cons of each bid. He recommended that the Board consider the bid from Waukesha Electric Systems as they rated the best according to his analysis. He explained the benefits that would be received from Waukesha including a

five year warranty versus one year; and loss savings that are based on the current cost of power. In addition to these benefits, Waukesha will give the District a discount if two transformers are purchased.

Director Bowden made a motion to approve the purchase of two transformers from Waukesha Electric Systems and authorize the General Manager to sign the purchase order. Director Nagel seconded the motion. Board discussion ensued. Electric Operations Manager Folce responded to the Board of Directions' questions. There being no further discussion, the floor was opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed.

ITEM NO. 12: PRESENTATION OF RP3 AWARD:

- General Manager Luhring presented a framed certificate in honor of Lassen Municipal Utility District achieving an RP3 (Reliable Public Power Provider) Gold Member Award designation from the American Public Power Association (APPA). This is a very prestigious award and shows that LMUD is doing right things right. Utilities are graded on reliability, safety workforce development and system improvements. He commended the Board and District employees for making this award possible and thanked staff for their dedicated work on putting the application together.

The Board congratulated the District on achieving the RP3 Award. No further action was taken by the Board.

ITEM NO. 13: DISCUSSION OF LMUD'S SERVICE, BILLING AND COLLECTIONS POLICY:

- General Manager Luhring stated that staff made the changes to the Service, Billing and Collections Policy as recommended by the Board at a previous Board Workshop. The policy is before the Board tonight for further review and discussion only, and not as an action item.
- Business Office Manager Keri Richards explained the comparisons and impact on credit scores if the bar is raised and/or lowered. She recommends raising the bar, thereby lowering the risk factor. She is concerned with the increase in bad debt for residential accounts.
- At the Board's request, Business Office Manager Richards did a comparison with other utilities to see how they deal with deposits, bad debt, etc. Truckee Donner PUD is experiencing more and more risks and

failures. They hold a deposit for 2 years. PG&E holds deposits for 2 years. SMUD charges a 2 months average deposit based on load.

Proposed Changes incorporated into Policy:

- Charge a minimum deposit for commercial accounts - large (\$500) and small (\$200).
- Changed “may” to “shall” throughout the policy where appropriate.
- Raise reconnect fees.

Board Comments/Suggestions:

- Raise the bar on credit approval to reduce risks.
- Waive deposit for residential accounts if they pass the credit check.
- Do not require a deposit except for high risk customers, both residential and business.
- There appears to be a persistent problem with residential accounts. The main focus should be on how to minimize these risks.
- If a business does not pass the credit rating, they should pay a deposit and/or a personal guarantee should be obtained from all business partners, thereby affording an option to paying a deposit.
- Section C – Collections, Number 6: Change “filed rules” to “District Policy”.
- There should be a uniform credit/risk assessment for all customers.
- “After hours” should be defined.

Board discussion ensued. General Manager Luhring and Business Office Manager Richards responded to the Board of Directors’ questions. There being no further discussion, General Manager Luhring stated that staff will re-work the policy and bring back to the Board for discussion. No further action was taken by the Board.

ITEM NO. 14: RECONSIDERATION OF PDCA ACTION OF MARCH 23, 2010:

- Director Nagel stated he has been re-thinking the decision the Board made at the March 23, 2010 board meeting regarding the PDCA Worksheet and to not change rates. He stated that the Board has been very conservative with reserve funds and great strides have been made since the energy crisis of 2001, when the District was subject to market prices of purchased power. Now that the District is benefiting from Western Area Power Administration’s strategies to purchase power, there is virtually no risk involved. He felt the District did not need such a large amount in the reserve fund, as the main purpose of this fund is to keep rates stable and lower them when feasible. Since the District’s bond indebtedness will be paid off next year which will replenish reserves, Director Nagel is proposing to lower rates by 1 cent.

- Accounting & Finance Manager Stewart stressed the importance of not depleting cash reserves due to known and unknown expenses that impact the District. He suggested the Board should wait for one more cycle of the PDCA process before a determination is made to lower rates, in order to get a better handle on the District's finances.
- General Manager Luhring stated he is not against decreasing rates, but felt it would be best to wait until July 1st, when the 2010-11 Budget and Union Contract are finalized.
- Director Dow stated that District staff has done a good job of keeping expenses at a minimum, and agrees that lowering rates will help ratepayers, especially during these hard economic times.
- Director Vial agrees with a ½ cent decrease, being cautious of not having to take it back.
- Accounting & Finance Manager Stewart clarified that the PDCA guidelines specify that there is no limit when decreasing rates; and increasing rates can only be done in ½ cent increments.

Director Nagel made a motion to accept the PDCA, modified to add in constructive forward factors to balance it so that it indicates a 1 cent decrease per kilowatt hour across the board. Director Dow seconded the motion.

- Director Langston said the timing could not be better for this rate decrease given the rising costs of gas, food, etc. He congratulated staff on the great job they have done to minimize expenses and felt this was a win-win for everyone.
- Director Dow felt this was a sound business decision, but cautioned that capital projects should not be compromised.

In concert with these changes, three action items will be added to the May 25, 2010 board agenda regarding, (1) revising the PDCA Worksheet; (2) moving monies from restricted to unrestricted funds; and (3) a name change for the Rate Stabilization Reserve Fund.

- It was determined that the rate decrease would become effective for energy sold in May and billed in June.

Director Nagel modified his original motion to include, “for energy sold in May and billed in June”. The second to the original motion concurred with this addition. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed.

ITEM NO. 15: FUTURE BOARD MEETING SCHEDULE:

- Regular Board Meeting on May 25, 2010 at 5:30 PM.

ITEM NO. 16: CLOSED SESSION:

President Langston read the Closed Session Items.

The Board adjourned to Closed Session at 8:30 PM. Directors Langston and Nagel recused themselves from discussion of Item B.

- A. Review current Memorandum of Understanding between Lassen Municipal Utility District and IBEW Local Union 1245.
- B. Conference with Legal Counsel: Existing Litigation, Subdivision (a) of §54956.9 of the Government Code. Federal Case No. 2:10-CV-00286-MCE-DAD.
- C. Update on Hayden Hill Transmission Line Negotiations with Kinross Gold.

The Board returned to Open Session at 9:17 PM.

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

The following was reported for Closed Session Items 16-A, 16-B and 16-C:

- No reportable action was taken.

ITEM NO. 18: ADJOURN:

There being no further business, the meeting was adjourned at 9:18 PM.