

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
MAY 25, 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 – absent
Director Langston – present
Director Nagel – present
Director Vial - present

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

ITEM NO. 2: APPROVAL OF AGENDA:

Director Dow 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.]

- Christopher Moore, from Nature Energies, explained that they have partnered with HENRI Susanville, to construct a biomass plant at the old Sierra Pacific Industries (SPI) site in Susanville. He gave an overview of the project and the benefits that would be realized by operating the plant in Susanville. He requested that LMUD agree that the existing interconnection agreement is valid that

was assigned by SPI to Renegy (now HENRI Susanville); and to agree not to terminate this existing interconnection agreement, as they need an avenue to get the project started as soon as possible. He realized that the existing agreement would be replaced by a new interconnection agreement per LMUD's Open Access Transmission Tariff when it is completed.

- President Langston thanked Mr. Moore for his comments, but stated that the Board could not take any action until this item was agendaized properly.
- General Manager Luhring stated that SPI disconnected from LMUD's system 6 years ago and the existing interconnection agreement might not be valid per Federal Energy Regulatory Commission (FERC) attorneys. PG&E is currently doing an interconnection study for this project and it depends on whether or not they have capacity available to get this project started.

Board discussion ensued. General Manager Luhring and Mr. Moore responded to the Board of Directors' questions. The Board agreed that Nature Energies and LMUD staff should continue to exchange information regarding the proposed biomass project.

No further action was taken by the Board.

ITEM NO. 4: STAFF MEMBERS' REPORTS: HEROIC DEED BY LMUD EMPLOYEE ADAM HULL:

- Business Office Manager Keri Richards stated that Apprentice Lineman, Adam Hull, was instrumental in saving the life of Mark French. Adam was filling in reading meters when he came upon Mr. French outside his vehicle, who had begun to choke while he was driving and eating. Adam performed the Heimlich maneuver on Mr. French which removed the object from his airway. Mr. French said this was a life changing experience and, indeed, Adam was a hero, as he did something that not everyone would do. The Board congratulated Adam for his heroic deed.

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

ITEM NO. 6: APPROVAL OF THE MINUTES FROM THE APRIL 27, 2010 REGULAR BOARD MEETING:

Director Nagel 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 Nagel – aye
- Director Langston – aye
- Director Vial – aye

Motion passed.

ITEM NO. 7: ACCOUNTING & FINANCE MANAGER REPORTS:

- Accounting & Finance Manager Stewart reported on the Cash Position Report at 4/30/10 and the Check Register from April 23 – May 19, 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) General Manager Luhring attended a Job & Business meeting at the local college on April 30th and was one of the guest speakers regarding “California regulations that make everyone’s job harder”. Congressman Tom McClintock and Assemblyman Dan Logue also attended the meeting; (2) Staff has been meeting regarding the 2010/11 budget and finalizing their budget requests; (3) Contract negotiations continue between IBEW and LMUD; and (4) Meetings with FERC attorneys on LMUD’s pending Open Access Transmission Tariff and large generator agreements have been very productive.
- Upcoming Meetings and Conferences:
 - a. (1) Budget workshop on June 10th to present the draft 2010/11 budget to the Board; (2) Meeting with TANC on June 15th to discuss the preliminary cost analysis for the proposed 230 KV transmission project; (3) GM Luhring and Accounting & Finance Manager Stewart will be attending the APPA Conference June 18-23; and (4) The UAMPS Member Conference will be held in Susanville August 15-18. A variety of fun activities are being planned, as well as business meetings. The Board and staff are encouraged to attend.

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

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

- Outage Report: General Manager Luhring reported in the absence of Electric Operations Manager Folce. A very serious situation occurred during an outage on Johnstonville Road where a line was down on the road. Passers-by were seen picking up the downed line and moving it off the road. Fortunately, LMUD's protection systems were operating correctly which de-energized the line or these persons could have been injured or killed. Energy Services Manager Theresa Phillips will do articles and public service announcements as reminders of the dangers of electricity and who to contact when a situation occurs. Ms. Phillips said the slogan, "Stay Clear and Stay Alive" that LMUD teaches in schools and uses in safety campaigns, should be practiced by everyone.

**ITEM NO. 10: REVISION OF POWER DELIVERY AND COST
ANALYSIS (PDCA) WORKSHEET:**

- Accounting & Finance Manager Stewart explained the revisions to the PDCA worksheet as the result of a prior Board action approving a rate decrease.

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

There being no further discussion, Director Nagel made a motion to ratify the revised PDCA Worksheet. Director Dow seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed.

**ITEM NO. 11A: RENAME RATE STABILIZATION RESERVES TO
BOARD RESTRICTED FUNDS:**

- Accounting & Finance Manager Stewart stated that funds would continue to be restricted based on Board and staff recommendations. He felt this name change would be a better fit for accounting and tracking purposes.

Board discussion ensued. Accounting & Finance Manager Stewart responded to the Board of Directors' questions. There being no further discussion, Director Dow made a motion to approve the name change as recommended by staff. Director Nagel seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed.

ITEM NO. 11B: REDUCE BOARD RESTRICTED FUNDS FROM 4.5 MILLION TO 3 MILLION BY TRANSFERRING 1.5 MILLION TO UNRESTRICTED RESERVES:

- Accounting & Finance Manager Stewart stated that the Board had previously agreed to this transfer of funds which would go to cash.

Director Nagel made a motion that Board Restricted Funds should be kept at a minimum of 3 million dollars and to put this in the form of a policy.

Director Vial seconded the motion.

The Board discussed the following:

- Funds should not be transferred until authorized by the Board.
- Transfer funds on an as-needed basis, not blanket transfers, with justification for budgeted versus non-budgeted items.
- What does the District need for restricted funds? Rationalize the need for having reserves. Perhaps this could be a topic for discussion in the future.

Director Dow called for a Point of Order stating that this item was not correctly agendized for the motion on the floor; and if this is not urgent, the item should be re-agendized.

General Counsel, Gene Chittock, stated that the wording of the item did meet the law and was agendized correctly.

There being no further discussion, the floor was opened for public comment. No comment. A call for the vote was as follows:

Director Dow – no
 Director Langston – no
 Director Nagel – no
 Director Vial – no

Motion failed.

ITEM NO. 12: CONTRACT FOR AUDITING SERVICES FOR FISCAL YEARS ENDING JUNE 30, 2010 THROUGH JUNE 30, 2012:

- Following up on a previous directive from the Board, Accounting & Finance Manager Stewart presented a proposal and fee structure for auditing services from the firm who had been doing the District's auditing and whose contract had expired. He recommended that the contract be renewed for fiscal years ending June 30, 2010 through June 30, 2012, as this firm is very experienced in the field of utility auditing.

Board discussion ensued. Accounting & Finance Manager Stewart responded to the Board of Directors' questions. There being no further discussion, Director Nagel made a motion to approve the auditing contract as recommended by staff. Director Dow seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed.

ITEM NO. 13: FINAL RULING ON CASE NO. 42544:

- General Counsel, Gene Chittock, stated that LMUD was awarded \$17,500 in the Ruling on Motions for Reconsideration for Case No. 42544 involving Eileen Spencer.
- Mr. Chittock has been watching the claims filed by Eileen Spencer and stated there is a code section that allows a party to ask the court to deem a person a "Vexatious Litigant", i.e., a person that files frivolous and non-meritorious claims. The cost for doing this is very minimal. He said the District has responded to numerous frivolous claims filed by Ms. Spencer against LMUD and this is very costly for the District. If deemed a Vexatious Litigant, a person will be logged into a register for 7 years and will need pre-approval before filing a claim. If, after 7 years, a person files a frivolous claim, their name will be put back in the register. Mr. Chittock recommended that the District pursue this.

Board discussion ensued. General Counsel Chittock responded to the Board of Directors' questions.

No further action was taken by the Board.

ITEM NO. 14: DISCUSSION OF LMUD'S SERVICE, BILLING & COLLECTIONS POLICY:

- General Manager Luhring and Business Office Manager Richards stated that changes had been made to the Service, Billing and Collections Policy as recommended by the Board. A public hearing will be necessary for the proposed changes to the reconnect fees and he recommended holding the public hearing at the Special Board Meeting on June 29th.

The Board directed staff to schedule the public hearing on June 29, 2010. No further action was taken by the Board.

ITEM NO. 15: FUTURE BOARD MEETING SCHEDULE:

- Budget Workshop on June 10, 2010 (1 PM – 3 PM). Special Board Meeting on June 29, 2010.

ITEM NO. 16: CLOSED SESSION:

President Langston read the Closed Session Items.

The Board adjourned to Closed Session at 7:00 PM. Directors Langston and Nagel recused themselves from discussion of Item C.

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

The Board returned to Open Session at 7:46 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 7:47 PM.