

**MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING**

May 26, 2009

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 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, Business Office Manager Keri Richards, Energy Services & Compliance Specialist Theresa Phillips, 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:

Director Vial requested that Agenda Items 16 and 17 be heard in reverse order, as he felt this would better coordinate the subject matter of these two agenda items. Director Dow made a motion to approve the agenda with this change. Director Vial 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: PUBLIC HEARING: SUSANVILLE INDIAN RANCHERIA'S WESTERN AREA POWER ADMINISTRATION BASE RESOURCE ALLOCATION RATE AND FACILITY CHARGE:

- President Nagel declared the public hearing open at 5:32 PM. He asked Board Secretary Jerri Kresge if the hearing had been advertised according to the law. Ms. Kresge replied that it had. President Nagel then read the rules and decorum for a public hearing.
- General Manager's Report: General Manager Luhring referenced his PUC §14401 Report dated 4/27/09 regarding the Susanville Indian Rancheria's base resource allocation from the Western Area Power Administration (WAPA). LMUD and the SIR have agreed on a revised Letter of Agreement which includes: (1) Usage & billing of the SIR base resource allocation; (2) additional power to fulfill the SIR total load; and (3) the Facility Charge paid by SIR customers.
- It is the General Manager's recommendation that an increase in the SIR's Facility Charge is implemented to equal the Facility Charge currently charged to other LMUD customers; and a revised Letter of Agreement be implemented for the billing of the commodity portion of the SIR load over the WAPA base resource allocation.

Board discussion ensued. General Manager Luhring and Business Office Manager Richards responded to the Board of Directors' questions. There being no further discussion, President Nagel opened the floor for comments.

PROPONENTS: NONE.

OPPONENTS: NONE.

President Nagel declared the public hearing closed at 5:35 PM

Director Bowden made a motion to approve the General Manager's recommendation regarding the Susanville Indian Rancheria's Western Area

Power Administration Base Resource Allocation; and the increase to the SIR's Facility Charge.

A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 5: STAFF MEMBERS' REPORTS:

- No Report.

ITEM NO. 6: BOARD MEMBERS' REPORTS:

- No Report.

ITEM NO. 7: APPROVAL OF MINUTES FROM THE APRIL 20, 2009 SPECIAL BOARD MEETING AND THE APRIL 28, 2009 REGULAR BOARD MEETING:

- A motion was made by Director Dow and seconded by Director Langston to approve the minutes as presented. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 8: ACCOUNTING & FINANCE MANAGER REPORTS:

- Accounting & Finance Manager Stewart reported on the Cash Position Report at 4/30/09 and the Check Register dated 5/20/09.

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

ITEM NO. 9: REPORTS FROM GENERAL MANAGER:

- General Manager Luhring reported on:

➤ Meetings Attended:

- a. UAMPS: A Natural Gas Project Committee has been formed to see if there is an interest in natural gas power plants. Some potential sites include Soda Springs, Idaho, Lassen County and a third site which has not been identified at this point.
- b. GM Luhring, Electric Operations Manager Folce and Accounting & Finance Manager Stewart met with John Benoit from LAFCO to review and discuss LMUD's MSR (Municipal Service Review). The District received positive comments in the review and copies will be distributed to the Board.

➤ Upcoming Meetings and Conferences:

- a. GM Luhring and Electric Operations Manager Folce are setting up meetings with several renewable developers who are anxious to construct projects in the area and use LMUD's facilities.
- b. GM Luhring, Accounting & Finance Manager Stewart and Board Director Bud Bowden will be attending the APPA Annual Conference June 15 – 17 in Salt Lake City. Each will be attending different "breakout" sessions" and will give the Board a report at the June board meeting.
 - The UAMPS Board of Directors' meeting will be on the last day of the APPA Conference and UAMPS will pay most of GM Luhring's conference expenses since he is a member of the UAMPS Board of Directors.

OTHER GM REPORTS:

- Wheeling Tariff: GM Luhring and Electric Operations Manager Folce have started working on a Wheeling Tariff for LMUD and will be meeting

with WAPA representatives to see how their tariff is setup. Certain components of WAPA's tariff may be included in LMUD's tariff. GM Luhring said completion of the tariff could take up to five months as it is very complicated. Director Dow requested that periodic updates be given under the General Manager's report as the tariff is developed.

ITEM NO. 10: REPORTS FROM ELECTRIC OPERATIONS MANAGER:

- Outage Report: Electric Operations Manager Folce stated that there were no reportable outages for May.

ITEM NO. 11: CONSIDERATION OF APPROVAL OF RESOLUTION 2009-08: ABANDONING AND QUITCLAIMING THE EASEMENT FOR THE MODOC SUBSTATION:

- General Manager Luhring stated that the Modoc Substation has been completely dismantled and everything removed from the site. He recommends abandoning the property easement as it is no longer needed.
- Legal Counsel Gartner stated that there are problems with the title to the land, so the easement is being quitclaimed to the owners of record which has been accepted by the County Recorder's office.

Director Bowden made a motion to approve Resolution 2009-08 and quitclaim the Modoc Substation easement back to the owners of record. Director Dow seconded the motion. Board discussion ensued. GM Luhring and Legal Counsel Gartner responded to the Board of Directors' questions. There being no further Board discussion, the floor was opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 12: CONSIDERATION OF APPROVAL OF UPDATED SB-1 PROGRAM:

- Energy Services & Compliance Specialist Theresa Phillips stated that updates to LMUD’s current SB-1 “Photovoltaic Buy-Down” Program included language defining rebate payments exceeding \$50,000, third party ownership regulations and updated annual budget information.
- Legal Counsel Gartner referenced the analysis he prepared for the Board on the SB-1 Program and said that the legislation is very vague.

Board discussion ensued. Energy Services & Compliance Specialist Phillips and Legal Counsel Gartner responded to the Board of Directors’ questions.

Public Comment:

- Ken Theobald commented on the amount of the commercial rebates in the SB-1 Program and felt this amount should be increased.
- Randy Givens commented that the current commercial rebate amount is not feasible for businesses and encouraged the Board to take a second look at commercial rebate amounts.

The Board discussed the following:

- Raising commercial rebates could possibly cause a rate increase which might not be fair to others.
- A more definitive legal interpretation may be needed.
- Eliminate third party rebates and put a cap on commercial rebates (cap at \$4.00 per watt).
- A policy should be adopted that is beneficial to LMUD and all program participants.

In order to give staff time to research the existing SB-1 Program, the Board directed the General Manager to schedule a public hearing in July to adopt a resolution and policy for the SB-1 Program.

Director Bowden made a motion to table this item for further study. Director Vial seconded the motion. There being no further Board discussion, the motion passed unanimously.

**ITEM NO. 13: CONSIDERATION OF APPROVAL OF THE IPP
UNIT 3 SETTLEMENT PROCEDURES
AGREEMENT BETWEEN UTAH ASSOCIATED
MUNICIPAL POWER SYSTEMS (UAMPS) AND
LASSEN MUNICIPAL UTILITY DISTRICT; AND
AUTHORIZATION FOR THE GENERAL MANAGER
TO SIGN:**

- General Manager stated that as part of the settlement between UAMPS and the Los Angeles Department of Water and Power regarding the IPP3 Project, UAMPS has prepared a Settlement Procedures Agreement that will enable its members who have put money into the IPP3 Project to be reimbursed for those funds and the process for the reimbursement. UAMPS has requested that each member sign and return the Settlement Procedures Agreement by 6/12/09.

Board discussion ensued. General Manager Luhring responded to the Board of Directors' questions. There being no further Board discussion, Director Bowden made a motion to approve the Settlement Agreement prepared by UAMPS and authorize the General Manager to sign the agreement. Director Langston seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

**ITEM NO. 14: CONSIDERATION OF APPROVAL OF THE FY
2009/10 OPERATING BUDGET:**

- Accounting & Finance Manager Stewart stated that the Board had reviewed the budget at the Budget Workshop on 5/18/09 and nothing had changed except that the bond covenant debt had been added to the budget.

Director Dow asked if a public hearing was necessary to approve the budget. Accounting & Finance Manager Stewart responded that, as far as he could tell, the District has not held public hearings to approve the budget.

Legal Counsel Gartner will prepare a letter for the Board on the requirements for public hearings.

There being no further discussion, Director Bowden made a motion to accept the 2009/10 Operating Budget as presented. Director Vial seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 15: CONSIDERATION OF APPROVAL OF THE MAPES LANE SUBSTATION CAPITAL PROJECT:

- General Manager Luhring referenced the summary of the Mapes Lane Substation Capital Project prepared by Electric Operations Manager Folce that the Board had before them tonight. Approval of this project is recommended, as it will greatly improve system reliability.

Board discussion ensued. Electric Operations Manager Folce responded to the Board of Directors' questions. A motion was made by Director Dow to approve the Mapes Lane Substation Capital Project. Motion seconded by Director Langston. Floor opened for comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 17 (heard before Item 16).

CONSIDERATION OF APPROVAL OF ESTABLISHING RESERVE ACCOUNT(S), ADJUSTMENTS AND/OR FUNDING:

- Accounting & Finance Manager Stewart stated that the Board had approved an adjustment to the Rate Stabilization Fund in September, 2006, by motion not by resolution. He said the current fund amount is 4.5 million; and the Board's decision to suspend contributions to this fund is still in effect. He recommended that the current fund balance be left as is with no monies being transferred out, and that the target amount of 6 million should not be changed.

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

No further action was taken by the Board.

ITEM NO. 16 (heard after Item 17).

CONSIDERATION OF APPROVAL OF THE SALARY ADJUSTMENTS FOR NON-REPRESENTED EMPLOYEES:

- General Manager Luhring stated that the non-represented employees had not had a salary adjustment since January, 2007. He felt that these employees were well deserving of this raise. If approved, the salary adjustments would go into effect July 1, 2009.

A motion was made by Director Bowden and seconded by Director Vial to grant the salary adjustments to non-represented employees as recommended by the General Manager.

The Board discussed the following:

- A previous request for a salary adjustment was denied by the Board. This request should be granted.

- The District is fortunate to have these employees and their dedication is appreciated, but time studies and performance evaluations should be reviewed by the Board before any raises can be considered.
- District employees are currently being compensated very well in comparison to the cost of living in this area.
- The General Manager should not receive a salary adjustment until after his performance evaluation.

There being no further Board discussion, Director Bowden amended his original motion to include the General Manager's salary increase should be withheld until after his performance evaluation. The second to the motion concurred with this amendment. Floor opened for public comment.

- Debi Stampfli commented on the job layoffs that are taking place locally and the condition of the economy. She thanked the Board for not increasing rates and was concerned that the requested salary adjustments would cause a rate increase.

There being no further comments, a call for the vote was as follows:

- Director Bowden – aye
- Director Dow – no
- Director Nagel – aye
- Director Langston – no
- Director Vial – aye

Motion passed.

ITEM NO. 18: FUTURE BOARD MEETING SCHEDULE:

- Regular board meeting on June 23, 2009 at 5:30 PM.
- General Manager Luhring requested that the board workshops be suspended during the summer months as the workload for staff increases substantially during the summer. Special board meetings can be scheduled if necessary. In lieu of these workshops, staff will schedule system tours for the Board.
- The Board agreed to suspend the workshops during the summer.

ITEM NO. 19: CLOSED SESSION:

The Board adjourned to Closed Session at 8:05 PM

A. 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.)
2. Kinross Gold Hayden Hill Mine Site. 69KV Transmission Line located on County road A-2 and State Route 139.

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

ITEM NO. 20: REPORT OF ACTION TAKEN (IF ANY) IN CLOSED SESSION:

The Board returned to Open Session at 9:25 PM

The following was orally reported for Closed Session Items 19-A1 and 19-A2:

- No reportable action was taken.

The following was reported for Closed Session Item 19-B:

- On a motion duly made and seconded, the Board voted to defer the General Manager's Performance Evaluation until the next regularly scheduled board meeting.

ITEM NO. 21: ADJOURN:

There being no further business, the meeting was adjourned at 9:30 PM.