

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
JULY 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 Vial – present
Director Nagel – absent
Director Langston – present
Director Bowden – present
Director Dow - absent

Also Present: 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, Executive Assistant Karen Rollings, Administrative Assistant Chris Yarbrough and Board Secretary Jerri Kresge.

ITEM NO. 2: APPROVAL OF AGENDA:

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

- William Tiffin stated he had not heard back from the Board or staff about the matter he had discussed at the June board meeting regarding LMUD's billing procedures.
- President Langston suggested that Mr. Tiffin meet with the General Manager and one or two board directors to further discuss this issue. He felt there was a lack of communication on both sides. Mr.

Tiffin was in agreement to this meeting and said he would wait to be contacted with the date and time. President Langston assured Mr. Tiffin that he would be contacted within a week by staff or himself personally to schedule a meeting.

ITEM NO. 4: PRESENTATION BY RALPH SANDERS: HONEY LAKE POWER VALUE PROPOSITION TO LASSEN MUNICIPAL UTILITY DISTRICT:

- Mr. Sanders, General Manager of Honey Lake Power (HLP), thanked the Board for allowing him time to make his presentation. He mentioned a letter HLP received from LMUD's General Counsel regarding an increase in wheeling fees which would have a detrimental affect on HLP due to eroding operating margins that they experienced in 2009; and it is projected that they will lose money in 2010. HLP's future is uncertain due to rising fuel costs and other operating expenses. He would like to see an alternative arrangement between HLP and LMUD in lieu of increasing wheeling fees. He said that over the years, HLP has provided many benefits to LMUD at no cost; and employs a substantial number of people to keep the plant operating. Mr. Sanders stated that one of HLP's biggest concerns is obtaining affordable fuel to run the plant. He said that if Sierra Pacific Industries' biomass plant re-opened in Susanville, it would probably put HLP out of business because of the stiff competition to obtain fuel (wood chips).
- Electric Operations Manager Dave Folce said the District's Open Access Transmission Tariff (OATT) is still being discussed and a new rate schedule has not been developed yet. The tariff will be presented to the Board at a workshop possibly in September. Mr. Folce stated that LMUD plans to increase the wheeling fees for all providers, and is discussing options for existing and new generation companies.
- General Counsel Chittock stated that the letter was meant to inform the providers of the District's intent to re-negotiate the contracts. He said most of the contracts are over 30 years old and do not reflect real time costs.

Board and staff discussion ensued. Mr. Sanders responded to the Board of Directors' and staff's questions.

- President Langston felt that LMUD's relationship with HLP should not be jeopardized. Speaking on behalf of the Board, Mr. Langston invited Mr. Sanders to participate in the negotiations regarding future wheeling charges.

No further action was taken by the Board.

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

ITEM NO. 6: BOARD MEMBERS' REPORTS: None.

ITEM NO. 7: APPROVAL OF THE MINUTES FROM THE JUNE 29, 2010 SPECIAL 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 Vial – aye
- Director Langston – aye
- Director Bowden – aye

Motion passed.

ITEM NO. 8: ACCOUNTING & FINANCE MANAGER REPORTS:

- Accounting & Finance Manager Stewart reported on the Cash Position Report at 6/30/10 and the Check Register from June 24 – July 22, 2010.
- Mr. Stewart stated that the auditors would be starting their review of the District's financial records for FY 2009/10 beginning the week of August 2nd.
- Mr. Stewart said that \$78,000 of obsolete wire will be written off the books. Electric Operations Manager Folce said the wire was ordered for projects several years ago which never came to pass. The wire is custom cut, making it useless for other projects. It may have some scrap value.

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

ITEM NO. 9: REPORTS FROM GENERAL MANAGER:

In the absence of General Manager Luhring, Electric Operations Manager Folce reported on the following:

➤ Meetings Attended:

- a. (1) Electric Operations Manager Folce and Accounting & Finance Manager Stewart attended a meeting in Susanville on July 9th where several renewable energy developers were introduced to TANC personnel. Various renewable energy transmission projects in Northern California were discussed.

➤ Upcoming Meetings and Conferences:

- a. (1) BLM, Invenergy and LMUD will meet on August 6th to begin discussions on an environmental review for Invenergy's proposed Horse Lake Wind Farm Project. BLM will be the lead agency; (2) a meeting with TANC personnel and various renewable energy developers is planned for August 12th in Reno, at which time the developers will present/promote their products to TANC; (3) the UAMPS Annual Member Conference will be held in Susanville August 15-18. President Langston encouraged everyone to attend.

**ITEM NO. 10: REPORTS FROM ELECTRIC OPERATIONS
MANAGER:**

- Outage Report: Electric Operations Manager Folce stated there was a planned outage on July 14th in the downtown area to convert from 4kV to 12kV; and several small outages occurred on July 25th caused by lightning.

**ITEM NO. 11: MEMORANDUM OF UNDERSTANDING (MOU)
BETWEEN TRANSMISSION AGENCY OF
NORTHERN CALIFORNIA (TANC), WESTERN
AREA POWER ADMINISTRATION (WAPA) AND
LASSEN MUNICIPAL UTILITY DISTRICT (LMUD)
FOR PROJECT STUDY:**

- Electric Operations Manager Folce explained that the MOU was to study the proposed 230 KV transmission line project in the areas of: (1) economic analysis; (2) availability of resources; (3) technical feasibility of project; (4) the environmental and siting process.

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

There being no further discussion, Director Bowden made a motion to authorize the General Manager to sign the MOU. Director Vial seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

- Director Vial – aye
- Director Langston – aye
- Director Bowden – aye

Motion passed.

ITEM NO. 12: RESOLUTION 2010-04 ORDERING AN ELECTION:

- Board Secretary Jerri Kresge explained LMUD will have Wards 2 and 3 on the ballot for the November 2, 2010 election. The resolution is a requirement of the County Clerk’s Office, requesting them to conduct the election on behalf of LMUD.

There being no Board discussion, Director Bowden made a motion to adopt Resolution 2010-04. Director Vial seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

- Director Vial – aye
- Director Langston – aye
- Director Bowden – aye

Motion passed.

ITEM NO. 13: FUTURE BOARD MEETING SCHEDULE:

- Regular Board meeting on August 24, 2010 at 5:30 PM.

ITEM NO. 14: CLOSED SESSION:

President Langston read the Closed Session Items. The Board adjourned to Closed Session at 6:35 PM. Director Langston recused himself from discussion of Item D.

- 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. Lassen County Case No. 1-36791.
- D. 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 7:05 PM.

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

The following was reported for Closed Session Items 14-A, 14-B, 14-C and 14-D.

- No reportable action was taken.

ITEM NO. 16: ADJOURN:

There being no further business, the meeting was adjourned at 7:07 PM.