

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
July 28, 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, Accounting & Finance Manager Bill Stewart, Legal Counsel Hal Gartner, Facilities Manager Paul Glau, 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:

A motion was made by Director Langston and seconded by Director Bowden to approve the agenda as presented. 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: INTENT TO ADOPT A PHOTOVOLTAIC BUY-DOWN PROGRAM, POLICY AND FUNDING THEREOF:

- 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.
- Report from Energy Services & Compliance Specialist Theresa Phillips: Ms. Phillips gave a brief overview of the SB-1 Legislation and stated that utilities are required to adopt, fund and market a photovoltaic buy-down solar rebate program. Lassen Municipal Utility District's existing rebate program has been in effect since January 1, 2008. There has been little interest in the program since its implementation, but recently, due to changes in the Federal tax law, and other incentives, interest in the program has increased. Ms. Phillips is recommending changes to the current program as set forth in her summary attached to the public hearing materials before the Board tonight. She stressed the importance of structuring the program so that the actual rebate is not the motivation for installing solar, but merely an incentive to encourage as many installations as possible. When rebates are set too high and caps are not in place, LMUD's generation goal (1.6 megawatts) may not be met with the money that has been allocated (\$140,000 per year - \$1.4 million over a 10 year period).

Board discussion ensued regarding: (1) the pros and cons of having program caps in place; (2) the functionality of the program and how it should be structured to attract potential customers; and (3) Private Power Agreements (third party lease Agreements). Energy Services & Compliance Specialist Phillips, General Manager Luhring and Legal Counsel Gartner responded to the Board of Directors' questions. There being no further discussion, President Nagel opened the floor for comments.

PROPOSERS: NONE.
OPPOSERS: NONE.

- Dick Parker, local resident, spoke to the proposal, neither pro nor con. Mr. Parker commented on the “solar farming” concept and the possibility of local residents entering into a purchase power agreement with LMUD. He felt this concept would be a win-win situation for both the power producer and the utility. Mr. Parker stated that there are grants available from the USDA which will pay for 50% of an eligible solar project; and that the Rural Energy for America Program (REAP) offers loans at attractive interest rates.
- Energy Services & Compliance Specialist Phillips responded that the SB-1 Legislation is very clear in that it does not allow purchase power agreements.
- President Nagel felt that LMUD would be supportive of the type of project that Mr. Parker is referencing, but as stated, this is not allowed under the SB-1 Program.

President Nagel declared the public hearing closed at 6:02 PM

Director Bowden made a motion to approve Resolution 2009-11 amending the Solar Rebate Program (SB-1). Director Langston seconded the motion.

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. Director Vial suggested revisiting the program each year.

ITEM NO. 5: STAFF MEMBERS’ REPORTS:

- Energy Services & Compliance Specialist Phillips reported on the following: (1) The Keep Your Cool Refrigeration Gasket Program exceeded the District’s goal with 12 participants and an estimated 300,500 kw hours saved; (2) The Smart Light Program has been a success with LMUD customers; and (3) The Employee Service Awards

Picnic on August 22, 2009 from 4:00 PM to 7:00 PM
at the Historic Railroad Depot.

ITEM NO. 6: BOARD MEMBERS' REPORTS:

- Director Vial reported that he attended a web site redesign committee meeting coordinated by Energy Services & Compliance Specialist Phillips to discuss revamping LMUD's web site; and to review offers from different web site design vendors. He felt a suitable vendor was chosen to do the redesign.

ITEM NO. 7: APPROVAL OF MINUTES FROM THE JUNE 23, 2009 REGULAR BOARD MEETING:

- A motion was made by Director Langston and seconded by Director Dow 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 6/30/09 and the Check Register dated 7/21/09.

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

ITEM NO. 9: REPORTS FROM GENERAL MANAGER:

- Meetings Attended:
 - a. Meetings regarding LMUD's transmission tariff have been held with District staff; and a meeting with staff from Redding Electric Utility is scheduled for August 17th to discuss the tariff.
 - b. OSHA conducted an inspection of District property and, to date, they have not contacted LMUD regarding what violations, if any, were found.

- Upcoming Meetings and Conferences:
 - a. Labor/Management meeting on August 13th.
 - b. UAMPS Member Conference August 10-12.
General Manager Luhring and Directors Nagel and Langston will be attending.

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

- Outage Report: In the absence of Electric Operations Manager Folce, General Manager Luhring reported that the outages in July were mainly caused by trees on the lines.

**ITEM NO. 11: CONSIDERATION OF APPROVAL OF DRAFT
REQUEST FOR PROPOSAL (RFP) FOR
CONTRACT LEGAL SERVICES:**

- General Manager Luhring reported that the draft RFP for Contract Legal Services is before the Board tonight with the changes/additions as they requested. If approved, staff would like to issue the RFP on 8/3/09.
- Legal Counsel Gartner stated that he reviewed the RFP and felt it was very comprehensive.

Board discussion ensued. General Manager Luhring responded to the Board of Directors' questions. There being no further Board discussion, Director Langston made a motion to approve the Draft RFP, and to issue the RFP on August 3, 2009. 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. 12: CONSIDERATION OF APPROVAL OF DRAFT
COMPENSATION POLICY:**

- Accounting & Finance Manager Stewart explained that several existing policies of the District that referenced compensation had been consolidated into the Compensation Policy before the Board tonight; and he felt it was a fair and meaningful policy.
- Legal Counsel Gartner stated that Section 4030.30 of the Compensation Policy is very clear on what the Board will be compensated for.

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

- Director Vial thanked staff for their follow up by providing the items at this meeting that were requested by the Board.
- Director Dow felt that the District needed a Health Insurance Policy.

There being no further discussion, the floor was opened for public comment. No comment. Director Dow made a motion to approve Resolution 2009-10 adopting Policy No. 4030, which describes the manner in which Directors may be compensated. Director Langston seconded the motion. 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. 13: DISCUSSION AND POSSIBLE ACTION REGARDING
UPDATING LMUD'S POLICY MANUAL UTILIZING
THE RESOURCES OF THE CALIFORNIA SPECIAL
DISTRICT ASSOCIATION (CSDA):**

- Legal Counsel Gartner said staff had previously brought before the Board recommendations for

updating LMUD's Policy Manual. Vendors and law firms that had been contacted regarding this task were either not interested or could not provide what the District was looking for. He referenced the CSDA sample policy handbook table of contents provided in the meeting materials and felt this would be a good place to start. Mr. Gartner felt that the update of the policy manual could be completed in-house with direction from personnel of the Downey Brand Law Firm who have expertise in employment law, along with input from the District's legal counsel and key LMUD staff. Mr. Gartner stated that the policy update process would begin with comparing the District's existing policies to the CSDA sample and the development of mandatory civil service provisions to be incorporated into the policy manual.

Director Langston made a motion authorizing the District's legal counsel and the Downey Brand Law Firm to go forward with the in-house compilation of policies and procedures for presentation to the Board based on the CSDA's Sample Policy Handbook Model. Director Bowden seconded the motion.

- Accounting & Finance Manager Stewart asked what the timeframes would be for completion of the policy manual. Legal Counsel Gartner replied between 3 to 6 months. Mr. Gartner strongly suggested that the policy manual be presented to the Board as a completed product, either at a workshop or a board meeting, rather than piecemeal as this would take too much time.

There being no further 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. 14: CONSIDERATION OF APPROVAL OF A SALARY INCREASE FOR GENERAL MANAGER:

- Accounting & Finance Manager Stewart stated that the approved 2009/10 District Budget calls for a salary increase for the General Manager from \$148,000 to \$155,000. The effective date would be retroactive to the budget approval date of 7/1/09.

Director Bowden made a motion to grant the salary adjustment to the General Manager retroactive to 7/1/09. Director Vial seconded the motion.

- Director Dow stated that he did not support the salary increase for the General Manager. He mentioned the poor condition of the economy and that LMUD's ratepayers should be taken into consideration.
- Director Langston stated that the General Manager had received a favorable evaluation, but there is more to consider than just doing a great job – it is about the economy and protecting LMUD's ratepayers

There being no further discussion, the floor was opened for public comment. No comment. 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. 15: FUTURE BOARD MEETING SCHEDULE:

- Regular board meeting on August 25, 2009 at 5:30 PM.

ITEM NO. 16: CLOSED SESSION:

The Board adjourned to Closed Session at 7:25 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.)

B. Conference with Legal Counsel – Existing Litigation
(Subdivision (a) of Government Code §54956.9):

1. Eileen Spencer vs. Lassen Municipal Utility District, California Court of Appeal, 3rd Appellate District, Case #36791, C048829, C047584 .

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

The Board returned to Open Session at 7:48 PM

The following was orally reported for Closed Session
Items 16A-1 and 16B-1:

- No reportable action was taken.

ITEM NO. 18: ADJOURN:

There being no further business, the meeting was adjourned at 7:49 PM.