

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
October 27, 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, Accounting & Finance Manager Bill Stewart, Legal Counsel Hal Gartner, Business Office Manager Keri Richards, Energy Services & Compliance Specialist Theresa Phillips, IT/GIS Technician Mike Malone, Engineering Technician Liz Griffin, Accounting Technician Cady Schroeder, 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 Bowden 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: PRESENTATION OF THE AUDITED FINANCIAL STATEMENTS FOR FYE 6/30/09 BY TOM UNKE, BAKER TILLY; AND BILL STEWART, LMUD ACCOUNTING & FINANCE MANAGER.

- Mr. Unke stated that the documents before the Board tonight have been stamped “draft” as they are unofficial until they are officially approved by the Board. He thanked LMUD staff for providing the records in a timely manner that the auditors needed to complete their work. Mr. Unke reviewed the Power Point presentation before the Board regarding the auditing process. He felt that from a financial perspective, LMUD’s earnings, liquidity and reserves were on target. Mr. Unke stated that LMUD received an “Unqualified” opinion which is the highest rating that can be given for an audit.

Board discussion ensued. Mr. Unke and Accounting & Finance Manager Stewart responded to the Board of Directors’ questions.

General Manager Luhring thanked Accounting & Finance Manager Stewart and Accounting Technician Cady Schroeder for a job well done in facilitating the completion of the audit. Accounting & Finance Manager Stewart thanked staff members who were involved with the audit process; and complimented the audit team from Baker Tilly for their competency and professionalism in completing the audit.

ITEM NO. 5: CONSIDERATION OF APPROVAL OF THE AUDITED FINANCIAL STATEMENTS FOR FYE 6/30/09:

Director Bowden made a motion to approve the Audited Financial Statements for FYE 6/30/09 as presented. Director Dow 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. 6:

PRESENTATION OF THE JOINT POWERS AGREEMENT (JPA) BETWEEN TRUCKEE DONNER PUD, LASSEN MUD AND UAMPS (UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS) BY DOUG HUNTER, UAMPS GENERAL MANAGER:

- General Manager Ray Luhring stated that this JPA is comprised of three public entities, Truckee Donner PUD and Lassen MUD in California and UAMPS in Utah. California law requires that JPA membership consist of at least two public entities that reside in California. This JPA forms a Municipal Utility Financing Authority. The concept is to pre-pay for gas by floating bonds at a lower yield due to the higher state income taxes in California and the availability of a broader market of investors. Each public entity appoints one member to the JPA Governing Board which authorizes bond sales for projects. GM Luhring stated that he is a member of the UAMPS Board of Directors and felt that there would be a conflict if he also served on the JPA Board. He recommended that the LMUD Board appoint one of its members to serve on the JPA Board. General Manager Luhring said that the JPA had been approved by the UAMPS Board of Directors with input from legal as to language, content and form. He introduced UAMPS General Manager, Doug Hunter, who would answer any questions from the Board.

The Board asked about the expenses, liabilities and benefits to LMUD by becoming a member of the JPA.

- Legal Counsel Hal Gartner stated that from what he understands, essentially this JPA will benefit UAMPS in the short term so that they can take advantage of the California bond market. It can potentially benefit LMUD down the line when and if they decide to float bonds. The JPA will make this process easier; however, it is not essential for LMUD. The downside is that this is a long term agreement, 50 years,

plus the requirement of retiring any outstanding bonds. Mr. Gartner said that language had been added to the JPA which will effectively alleviate most of his concerns over somebody arbitrarily withholding authority when it is a project from just one of the members. LMUD's expense in the future will be limited to insuring that any bonds that are run through the organization conform to the terms of the agreement and that there is full disclosure so LMUD is not, in anyway, responsible.

- UAMPS General Manager, Doug Hunter, stated that the documents for each project must indemnify the other participants and will have language for protection. There is no cap on bond issuance. When an entity wishes to float bonds, their credit worthiness is looked at. One JPA member will not be affected or denied floating bonds if another member does not show credit worthiness.

**ITEM NO. 7: CONSIDERATION OF APPROVAL OF
RESOLUTION 2009-14 AUTHORIZING LASSEN
MUNICIPAL UTILITY DISTRICT TO ENTER INTO
A JOINT EXERCISE OF POWERS AGREEMENT TO
ESTABLISH THE MUNICIPAL UTILITY
FINANCING AUTHORITY:**

Director Bowden made a motion to approve Resolution 2009-14. 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 – no

Motion passed.

- General Manager Luhring requested that the Board appoint a member to the JPA Board as stipulated in Section 5 of Resolution 2009-14.

Board discussion ensued. General Manager Luhring and Legal Counsel Gartner responded to the Board of Directors' questions. There being no further discussion, Director Dow volunteered to serve on the JPA Board and was officially appointed by President Nagel. The Board concurred with this appointment.

ITEM NO. 8: STAFF MEMBERS REPORTS:

- None.

ITEM NO. 9: BOARD MEMBERS' REPORTS:

- Director Nagel reported that he met with the auditors on October 7th; and attended the Board of Supervisors' meeting on October 27th where GM Luhring and Electric Operations Manager Folce did the presentation on the proposed 230 KV transmission project. He felt the presentation went very well.
- Director Dow inquired about a recent Public Records Act Request (PRA) received by the District. He stated it appeared that this request was not handled in accordance with the District's PRA Policy. Legal Counsel Gartner replied that there were extenuating circumstances with this request and it was processed after the fact according to the District's PRA Policy.

**ITEM NO. 10: APPROVAL OF MINUTES FROM THE
SEPTEMBER 22, 2009 REGULAR BOARD
MEETING:**

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

ITEM NO. 11: ACCOUNTING & FINANCE MANAGER REPORTS:

- Accounting & Finance Manager Stewart reported on the Cash Position Report at 9/30/09 and the Check Register dated October 20, 2009.

- Directors Nagel and Dow inquired about a funding mechanism for OPEB (Other Post Employment Benefits). Accounting & Finance Manager Stewart will present his recommendations to the Board at the 11/24/09 board meeting in regard to funding OPEB.

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

ITEM NO. 12: REPORTS FROM GENERAL MANAGER:

General Manager Luhring reported on:

- Meetings Attended:
 - a. GM Luhring and Electric Operations Manager Folce gave the presentation on the proposed 230 KV transmission project to the County Board of Supervisors today (10/27/09).
 - b. Meeting with Western Area Power Administration (WAPA). They are extremely interested in the proposed transmission project.
 - c. Attended meetings and conference calls with solar developers, biomass developers, Invenergy and PG&E.
 - d. Met with Dan Logue and the Governor's Energy Staff on October 14th. They are very interested in the proposed transmission project. Staff will give the presentation to the California Energy Commission in the near future.
- Status of LMUD Transmission Tariff:
 - a. The District received the draft transmission tariff to review from Lisa Gast of the law firm of Duncan, Weinberg, et al. A final tariff should be in place by the first of the year.
- Upcoming Meetings and Conferences:
 - a. Meet with Jim Beck from TANC (Transmission Agency of Northern California) on 10/28/09 regarding the proposed 230 KV transmission project.

Other Matters: Staff is preparing a letter to the renewable energy developers asking for a non-refundable deposit needed from the developers who are interested in securing capacity on LMUD's lines. These monies will be used to cover LMUD's costs in pursuing the proposed 230 KV transmission project.

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

**ITEM NO. 13: REPORTS FROM ELECTRIC OPERATIONS
MANAGER:**

- Outage Report: Electric Operations Manager Folce stated the outages for October were mainly due to planned outages, windstorms and opened reclosures.

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

**ITEM NO. 14: CONSIDERATION OF APPROVAL OF
RESOLUTION 2009-15 FOR SERVICE CONTRACT
NO. 2009-003 BETWEEN LASSEN MUNICIPAL
UTILITY DISTRICT AND TEST-AMERICA
DRILLING CORPORATION; AND FOR THE
CHESTNUT PROPERTY REMEDIATION
EXPENDITURES:**

- Electric Operations Manager Folce stated that the work plan for the Chestnut property soil remediation had been approved. A formal bid was prepared by RAM Engineering and three bids were received as required by the Lahotan Water Board. Test-America was the low bidder at \$12,000 to drill the wells. Land farming for the contaminated soil will be done on land owned by the District and has been approved by the Lahotan Water Board. Costs are estimated at \$86,000. The District would like to move quickly on this project and have it completed by spring.
- General Manager Luhring stated that Resolution 2009-15 gives him the authority to approve all costs associated with the soil remediation up to \$100,000.

Board discussion ensued. Electric Operations Manager Folce responded to the Board of Directors' questions. Director Bowden made a motion to approve Resolution 2009-15. 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 CONTRACT FOR LEGAL SERVICES BETWEEN LASSEN MUNICIPAL UTILITY DISTRICT AND THE LAW OFFICES OF EUGENE B. CHITTOCK:

- General Manager Luhring stated that an RFQ for contract legal services was advertised out of the area, as well as locally. Only one response was received from the Law Offices of Eugene B. Chittock. General Manager Luhring felt that an excellent working relationship had been built with this law firm during their interim contract with the District for legal services and was very satisfied with their work product. He recommended approval of this contract.

Board discussion ensued. General Manager Luhring responded to the Board of Directors' questions. Director Dow made a motion to accept the contract for legal services between Lassen Municipal Utility District and the Law Offices of Eugene B. Chittock. 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. 16: CONSIDERATION OF APPROVAL OF
RESOLUTION 2009-13 AMENDING RESOLUTION
2004-05 TO UPDATE THE DISTRICT'S MISSION
STATEMENT:**

- General Manager stated the reason for updating the District's Mission Statement was to provide a better flow of words and to clarify the meaning of the Mission Statement.

Board discussion ensued. General Manager Luhring responded to the Board of Directors' questions. A motion was made by Director Dow to approve Resolution 2009-13. Director Bowden 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. 17: FUTURE BOARD MEETING SCHEDULE:

- Regular board meeting on November 24, 2009 at 5:30 PM.

ITEM NO. 18: CLOSED SESSION:

The Board adjourned to Closed Session at 7:55 PM.

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

1. Kan We Help, Eileen Spencer vs. Lassen Municipal Utility District, Lassen County Superior Court, Case No. 36791.

The Board returned to Open Session at 7:58 PM.

ITEM NO. 19: ACTION TAKEN (IF ANY) IN CLOSED SESSION:

The following was orally reported for Closed Session Item 18 A-1:

- No reportable action was taken.

ITEM NO. 20: ADJOURN:

There being no further business, the meeting was adjourned at 7:59 PM.