

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
REGULAR BOARD MEETING
DECEMBER 22, 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 Vice-President Dow.

Roll Call by Board Secretary Jerri Kresge:

Director Bowden – present
Director Dow – present
Director Langston – present
Director Vial – present
Director Nagel – absent

Also Present: General Manager Ray Luhning, Electric Operations Manager Dave Folce, Accounting & Finance Manager Bill Stewart, Attorney Eugene Chittock, Business Office Manager Keri Richards, Energy Services Manager Theresa Phillips, IT/GIS Technician Mike Malone, 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 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:

[Vice-President Dow opens the floor for public comment after pointing out the Rules for Public Comment.]

➤ None.

ITEM NO. 4: STAFF MEMBERS' REPORTS:

DISCUSSION OF POSSIBLE LONG-RANGE SOLUTIONS FOR LOST REVENUE RECOVERY:

- Business Office Manager Keri Richards stated that collecting from customers whose electric service has been turned off due to non-pay has been difficult, especially during these hard economic times. Ms. Richards gave a brief outline of the District's Collection Policy and explained the criteria for collecting deposits. She stated that the Collection Policy may need to be reviewed and possibly updated. Developing long-range solutions will be a challenge. She said that collection on delinquent business accounts is a problem because businesses typically use more electricity than residential customers and the revenue owed can be substantial. Some factors that contribute to collecting from business accounts are: (1) Major business accounts going through bankruptcy and/or foreclosure; (2) businesses that change hands mid-stream, which oftentimes creates an unstable situation; and (3) business customers that lose their credit-worthiness sometime during the course of their business. Ms. Richards said that the Customer Service Reps are in a difficult position and are doing a great job helping customers with their bills. She appreciates their efforts very much.
- Electric Operations Manager Folce stated that The Smart Grid technology could help with the lost revenue problem. This technology would make it possible to analyze the systems and monitor meter usage in-house. The low range price for installing full blown Smart Grid on all meters is 1.6 million dollars. High range is 2.4 million dollars. A major cost factor would be setting up the Smart Grid software. The District is replacing mechanical meters with electronic meters that can be retrofitted with a module for conversion to Smart Grid. Electronic meters can be set for prepayment using tokens, pre-paid cards, etc.
- Attorney Gene Chittock commented that it can be very cost prohibitive when trying to collect lost revenues as there could be several fees involved including legal fees. If a business has problems with the initial outlay for electric service, than that should be a red flag.
- General Manager Luhring stated that sometime in the near future, possibly at the February or March board meeting, staff will bring a modified Collection Policy before the Board for their consideration.

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

Board comments:

- Hold a board workshop to discuss the possibilities of implementing the Smart Grid Technology.
- Deposits are part of the startup costs for doing business. LMUD is a business and has a responsibility to its ratepayers to stay solvent.
- Consider charging a lesser deposit amount for residential customers.
- Revisit the District's Collection Policy.

At the request of Director Dow, staff will prepare a spreadsheet detailing lost revenues and identifying problem areas. This will be presented to the Board at the January board meeting (1/26/10).

No further action was taken by the Board.

ITEM NO. 5: BOARD MEMBERS' REPORTS:

- No Report.
- Board Members' Meetings Attended: No Report.

ITEM NO. 6: APPROVAL OF THE MINUTES FROM THE NOVEMBER 24, 2009 REGULAR BOARD MEETING:

Director Bowden made a motion to approve the Minutes as presented. 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 Langston – aye
- Director Vial – aye

Motion passed.

ITEM NO. 7: ACCOUNTING & FINANCE MANAGER REPORTS:

- Accounting & Finance Manager Stewart reported on (1) the Cash Position Report at 11/30/09; (2) the Check Register from November 19 to December 16, 2009; (3) the Balance Sheet at 10/31/09; and (4) Operational Revenues and Other Statistics, Fiscal Year to Date through 6/30/09.

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. General Manager Luhring and Electric Operations Manager Folce were on local radio station KSUE's Viewpoint Program on 11/30/09 to discuss the 230 KV transmission line project.
- b. An awards ceremony was held in the LMUD boardroom on December 3rd to honor the winners of the 2010 Student Art Calendar Contest. GM Luhring and LMUD Board Director Bud Bowden handed out the awards. This event gains more popularity each year. Energy Services Manager, Theresa Phillips, did a great job coordinating the Student Calendar Contest and the awards ceremony.
- c. GM Luhring and Electric Operations Manager Folce have attended meetings and/or conference calls with wind and bio mass developers about capacity on PG&E's lines and LMUD doing a system impact study. The terms would be cash in – cash out with no cost to LMUD.
- d. GM Luhring, Electric Operations Manager Folce and Accounting & Finance Manager Stewart attended a meeting with personnel from the Western Area Power Administration (WAPA) on December 20th. They discussed the proposed 230 KV transmission line project and looked at the Transmission Infrastructure Project (TIP) application prepared by Electric Operations Manager Folce. This application will be transmitted to WAPA for the purpose of obtaining stimulus money.
- e. An organizational meeting of the Municipal Utility Financing Authority was held in the LMUD boardroom on December 9th. This "Authority" is a product of the Joint Powers Agreement (JPA) of which LMUD is a member. LMUD Board Director, Jay Dow, was elected as Vice-Chair.

➤ Status of LMUD Transmission Tariff:

- a. General Manager Luhring and Electric Operations Manager Folce will do a final review of the draft transmission tariff in January and return to Legal.

➤ Upcoming Meetings and Conferences:

- a. On December 29th, General Manager Luhring and Energy Services Manager Theresa Phillips will be meeting with Tom Miller, Utility Director for the City of Shasta Lake, to discuss LMUD's Public Benefits Program. Shasta Lake is interested in developing a similar program.
- b. Meeting with NV Energy on 1/21/10 to discuss the RAT line interconnection.

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

ITEM NO. 9: REPORTS FROM ELECTRIC OPERATIONS MANAGER:

- Outage Report: Electric Operations Manager Folce reported on the planned outage that took place on 12/22/09 for the Richmond Substation conversion. This outage was well advertised which made the impact very minimal on customers who lived in the affected area.
- Director Vial complimented staff for keeping the lights on especially during the sub-zero weather in town.
- General Manager stated that Mr. Folce and his group continue to do a great job on the upgrade of facilities.

ITEM NO. 10: RE-APPOINTMENT OF A LEAD COUNSEL IN ACCORDANCE WITH THE CONTRACT FOR LEGAL SERVICES BETWEEN LASSEN MUNICIPAL UTILITY DISTRICT AND THE LAW OFFICES OF EUGENE B. CHITTOCK:

- General Manager Luhring stated that LMUD has a current contract for legal services with the Law Offices of Eugene Chittock. Due to the untimely passing of Hal Gartner who was Lead Counsel, it is necessary to appoint a new Lead Counsel. Attorney Gene Chittock submitted a letter to LMUD stating that he would take full responsibility as Lead Counsel and that no contract modification was required.

A motion was made by Director Bowden to appoint Eugene Chittock as Lead Counsel for LMUD. 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 Langston – aye
- Director Vial – aye

Motion passed.

ITEM NO. 11: QUARTERLY REVIEW OF THE DISTRICT'S KWH CHARGE AS DETERMINED BY THE POWER & DELIVERY COST ANALYSIS (PDCA) WORKSHEET (RATE CHANGE NOT RECOMMENDED):

- Accounting & Finance Manager Stewart stated that after 5 quarters, staff is again recommending, as evidenced by the PDCA Worksheet, that there be no rate change. He felt that remaining flat is comparable to a rate decrease.

Board discussion ensued. Accounting & Finance Manager Stewart responded to the Board of Directors' questions. Director Bowden made a motion to accept staff's recommendation to not change the rates. 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 Langston – aye
- Director Vial – aye

Motion passed.

ITEM NO. 12: FUTURE BOARD MEETING SCHEDULE:

- Regular board meeting on January 26, 2010 at 5:30 PM.

ITEM NO. 13: CLOSED SESSION: Vice-President Dow read the closed session items.

The Board adjourned to Closed Session at 6:45 PM.

- A. Review current Memorandum of Understanding between Lassen Municipal Utility District and IBEW Local Union 1245.
- B. Conference with Legal Counsel: Significant exposure to litigation pursuant to Government Code §54956.9(b) – (1 case).
 1. Real Property: Kinross Gold Hayden Hill Mine Site. 69 KV Transmission Line located on County Road A-2 and State Route 139.

The Board returned to Open Session at 8:18 PM.

ITEM NO. 14: ACTION TAKEN (IF ANY) IN CLOSED SESSION:

The following was reported for Closed Session Item 13-A:

- No reportable action was taken.

The following was reported for Closed Session Item 13-B:

- The Board voted unanimously to approve Resolution 2009-17 and authorize the General Manager to sign the Notice of Exemption.

ITEM NO. 15: ADJOURN:

There being no further business, the meeting was adjourned at 8:19 PM.