

MINUTES
LASSEN MUNICIPAL UTILITY DISTRICT
SPECIAL BOARD MEETING
November 13, 2008
5:30 P.M.

ITEM NO. 1: CALL TO ORDER, FLAG SALUTE AND ROLL CALL:

The Special Board meeting of the Lassen Municipal Utility District was called to order at 5:30 PM by President Bowden.

Roll Call by Board Secretary Jerri Kresge:

Director Nagel – present
Director Dow – present
Director Bowden – present
Director Langston – present
Director Lavacot - present

Also Present: General Manager Ray Luhring, Electric Operations Manager Dave Folce, General Counsel Jaimee Jones, Accounting & Finance Manager Bill Stewart, Business Office Manager Keri Richards, Energy Services and Compliance Specialist Theresa Boucher, Accounting Technician Cady Schroeder, Engineering Assistant Liz Griffin, Board Member Elect Richard Vial, and Board Secretary Jerri Kresge.

ITEM NO. 2: APPROVAL OF AGENDA:

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

ITEM NO. 3: INVITATION FOR PUBLIC COMMENT:

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

➤ None.

ITEM NO. 4: STAFF MEMBERS' REPORTS:

- None.

ITEM NO. 5: BOARD MEMBERS' REPORTS:

- None.

a. Board Members' Meetings Attended:

- No Report.

ITEM NO. 6: CONSENT AGENDA:

- None.

ITEM NO. 7: PUBLIC HEARING AND ACTION REGARDING AMENDING RATE SCHEDULE PDCA (POWER DELIVERY COST ADJUSTMENT), A POWER RATE ADJUSTMENT MECHANISM.

- President Bowden declared the Public Hearing in session at 5:33 PM and read the rules governing a public hearing. He asked Board Secretary Jerri Kresge if the Public Hearing had been advertised according to the law. Ms. Kresge replied that it had been advertised according to the law.
- General Manager Luhring stated that the District has been looking at ways to revise and streamline the PDCA. Ad Hoc Committee members, Directors Langston and Dow, along with staff, came up with some very good ideas to condense and clean up this document. He mentioned that the Board had received his PUC §14401 Report at a special board meeting on 10/21/08, which sets forth his recommendations. GM Luhring stated that General Counsel Jones reviewed the changes, made recommendations and further condensed the document which is being presented at this meeting.

OPPONENTS TO AMENDING RATE SCHEDULE PDCA:

- None.

PROPONENTS TO AMENDING RATE SCHEDULE PDCA:

- None.
 - President Bowden closed the Public Hearing at 5:36 PM.

Director Dow made a motion to approve Resolution 2008-05 adopting a Power Delivery and Cost Adjustment Rate Mechanism. Motion seconded by Director Nagel.

- Director Dow stated that the intent of the Ad Hoc Committee and management was to refine the PDCA document and develop a policy with general parameters and is transparent. The amended PDCA retains the basic math calculation in the worksheet. The caps have been left in place and one important revision to the PDCA is that the public will be involved before rates are increased.
- Director Langston stated that one of the main goals of the Ad Hoc Committee and management was to clean up the PDCA and make it sustainable for the future. He said that the \$.005 increase cap remains as is so that the public will have a benchmark if rate increases are necessary.

There being no further Board discussion, the floor was opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 8: CONSIDERATION OF LMUD'S RESPONSE TO THE 2007/08 GRAND JURY REPORT:

- General Counsel Jones stated she had reviewed the findings and recommendations of the Grand Jury Report and prepared the District's response which is due by November 18, 2008. General Manager

Luhring thanked Ms. Jones for preparing the response to the Grand Jury and felt it was very comprehensive.

- Director Nagel inquired about the wording in Issue I which states in part.....”employee pressure on contractors to perform services.....” Is this intended to mean pressure versus asking? General Manager Luhring stated he did not agree with the use of the word “pressure”. General Counsel Jones stated that the District had not dealt with this type of finding in the past so clear guidance in a situation such as this had never been requested from the Board.
- Director Langston commented on Issue II regarding conflict of interest, stating that he agreed with how conflicts are handled, but did not agree with the wording “potential” or “perceived” as used in this particular issue. He realized that the District must abide by the law, but felt this wording was very vague. Are we setting ourselves up? The law must be followed to avoid the appearance of impropriety, but where do we draw the line?
- General Counsel Jones stated that she initially included a paragraph about perception, but deleted it. She understood Director Langston’s comments and said that potential should remain for legal reasons, but she will remove “or perceived” from the District’s response.

Director Langston made a motion to accept the response to the Grand Jury. Director Nagel seconded the motion. Floor opened for public comment. No comment. Motion passed unanimously.

ITEM NO. 9: DISCUSSION AND POSSIBLE ACTION ON A PROPOSED NATURAL GAS GENERATION SITE:

- General Manager Luhring stated that at a recent UAMPS meeting there was discussion regarding UAMPS goals which included construction of large natural gas power plants (500 to 1,000 MW’s). Their criteria for such sites included, (1) flat, open ground; (2) nearby transmission lines; (3) availability of natural gas; and (4) rail lines and good roads. LMUD’s property in Herlong fits all

this criteria. General Manager Luhring said that he is looking for approval from the Board to offer this site to UAMPS. This could be a golden opportunity for the District to have generation in their backyard. As a member of UAMPS, LMUD would have part ownership in any potential power plants constructed by UAMPS. He stated any discussions between LMUD and UAMPS regarding this property are very preliminary at this point.

- In answer to Director Dow's questions about property location, General Manager Luhring stated that access to the property is through Wendel.
- Director Langston asked if there would be easement problems and said the District should locate the owner to obtain any easements that might be needed. Director Langston asked why a rail line is necessary. GM Luhring said the rail line would be used to transport construction materials.
- Director Nagel asked about water issues. GM Luhring responded that air cooled machinery can be used which would negate water issues.
- Director Lavacot asked if there would be a problem with tapping into the existing natural gas pipeline for the gas that this project would require. GM Luhring said this would not be a problem.

Director Dow made a motion that LMUD enter into preliminary talks with UAMPS regarding this potential site for a natural gas power plant. Director Nagel seconded the motion. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 10: AUTHORIZATION FOR BOARD PRESIDENT TO EXECUTE AMENDED AGREEMENT FOR JOINT AND COOPERATIVE ACTION WITH UAMPS:

- General Counsel Jones stated that the Board is being asked to adopt Resolution 2008-07 for approval of the Restated Agreement for Joint and Cooperative Action (JAA) between LMUD and UAMPS.

There being no Board discussion, Director Nagel made a motion to adopt Resolution 2008-07 for approval of the Restated Agreement for Joint and Cooperative Action between LMUD and UAMPS. Floor opened for public comment. No comment. A call for the vote was as follows:

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

Motion passed unanimously.

ITEM NO. 11: ADJOURN:

There being no further business, the meeting was adjourned at 6:07 PM.