

MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF June 9, 2011

- I. **CALL TO ORDER AND ROLL CALL**: The meeting was called to order at 5:35 p.m. by Chairman Canfield. Present were Beachum, Canfield, Hall, Johnston and Valentine. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris and City of Lowell Mayor Hodges.
- II. **APPROVAL OF AGENDA**: Johnston asked to add a possible closed session agenda item for personnel, after Board comment, item A. There was a motion by Beachum and a second by Hall to amend the agenda adding item "VIII. A". The motion was passed by a unanimous vote of the Board. There was a motion made by Beachum and a second by Valentine to approve the agenda as amended. The motion was passed by a unanimous vote of the Board.
- III. **APPROVAL OF MINTUES** (May 12, 2011 Regular Board Meeting and May 25, 2011 Special Board Meeting): There was a motion by Beachum and a second by Hall to approve the minutes of the May 12th meeting as written. The motion passed by unanimous vote of the Board. There was a second motion by Beachum, supported by Hall to approve the minutes of the May 25th meeting. The motion passed by unanimous vote of the Board.
- IV. **PUBLIC COMMENTS** (Items not on the agenda): There was no public comment.
- V. **ACTION ITEMS**:
- Daffron CIS Update: Pierce explained the Daffron upgrade would be split over two budget years. The first invoice was received for \$10,000 which represents the 25% down payment required to hold our spot for the upgrade next July. There was a motion by Johnston and a second by Hall to approve payment of \$10,000 to Daffron. The motion passed by a unanimous vote of the Board.

- LLP 2011-2012 Merit/"COLA": Pierce discussed the fact that over the past two years LLP has began moving toward a different perspective regarding the annual Cost of Living Adjustments (COLA) for employees. Last year Pierce built into the budget 2.75% of the then current total salary figure to be used towards cost of living (COL) and merit increases. The concept was to give every employee a flat % amount after merit increases were given.

Pierce explained that this plan more adequately allows rewarding employees who perform exceptional work.

Pierce further explained our overall payroll has decreased by 22.2% or \$215,000 since 2008. This years' projected payroll, not including adjustments, is projected to be \$760,000. Based on the information gathered, the approved budget included a pool of 5% to be used for merit and the flat percent increase for employee salaries. The new projected payroll figure of \$798,000 is still 1.2% below our 2010-2011 payroll, and down 18.2% overall from 2008. Pierce suspects the flat rate portion would be around 1.5-1.75%. There was a motion by Johnston and a second by Valentine to approve the 5% total increase, to include merit and flat rate increases.

VI. INFORMATIONAL ITEMS:

- A. **Performance Data:** Pierce reported to the Board that April's overall residential requirements and total sales were up from the previous year. Customer counts were up from the previous month and the previous year. Commercial revenue and requirements were up from the previous month and year. Commercial customer count is down from the previous month and year. Delinquent accounts stayed about the same as the previous month.

Overall investments were up slightly from the previous month and over 5% from the previous year. The aging analysis shows the outstanding balance was down significantly from the previous couple of months.

We still do not have two figures that come from MPPA for the month of May to complete the performance data. These are the electric requirements and peak demand. Residential sales and customers were

up from the previous year as were Commercial sales and customer counts.

The May delinquent amount shows a significant increase. However, this data was gathered at the beginning of the month, rather than the end of the month. Our overall investments were significantly up from the previous year, over 9% for the year. Potential write offs, from customers who did not pay during the winter months and were not shut off, appears to be around \$7,500-\$8,500. This amount has gone up from the previous year and the final figure for 2010 will be presented for write off at the July meeting.

Pierce discussed a form that is now available for landlords to sign when changing a property into the tenant's name. This form would allow us to lien the landlord's property should the tenant default on their electric bill.

- B. Income Statement (May 2011):** Pierce reported May was a good month. Again for the 2nd or 3rd month in a row, the total sales revenue was up over the budgeted amount, which helped catch us up from some of the winter months when revenues were down. The purchased power variance is lower than the winter months due to our customers not requiring as much electricity. We are still over budget in purchased power for the year. Pierce explained purchased power cost is budgeted more aggressively for next year so hopefully we will not see this type of discrepancy again.

Most other expenses are under budget for the year other than purchased power. In total, expenses are \$300,000 over budget, recognizing we are \$450,000 over budget in purchased power. Our operating income was over \$45,000 for the month of May and over \$443,000 year-to-date. We had a net income for the month. Our current net income for the year is about \$50,000, which is significantly under budget. We are expecting an audit adjustment to purchased power and Pierce expects the net income to be around \$150,000 at year end.

- C. Manager's Report:** Pierce gave updates to the Board on the following items.

- **MPPA/MMEA/APPA Updates:**

MPPA/MMEA: Pierce updated the Board on the MMEA, South Haven conference. The majority of their discussions were led by attorneys giving them updates on everything from the FERC Transmission case to upcoming environmental issues to a disastrous Michigan Supreme Court decision that impacts how the basis for “who is eligible to serve” has been changed for municipals.

The transmission issue continues to heat up. Several ITC representatives were at the conference and took a significant beating. They are beginning to realize the issue is not going away.

There are so many potential environmental constraints looming on the horizon as the EPA attempts to move forward with rules and standards. It has been labeled “The Great Train Wreck”.

Pierce reported on a recent Michigan Supreme Court decision that overturned a Court of Appeals ruling between Traverse City Light and Power and Cherryland Electric for the right to provide service to The Great Wolf Lodge in Traverse City.

Pierce reported on his legislative luncheon sponsored by MMEA in Lansing.

Pierce stated he would be attending the APPA Annual Meeting in Washington DC June 19-22. He would be out of the office June 14th through the 22nd. Jim Hall will also be attending the conference.

- **System/Generation Upgrade Progress:** Pierce reviewed the line crew’s activities for the month of May. The crew’s have spent most of their time eliminating one set of poles along Foreman.

- **Strategic Plan Punch List:**

- Pierce stated we are at a bit of a standstill with our website until The New City Manager is on board. We are working to finalize the format and photos which will appear on our homepage.

- The Elster pilot meters are ordered. Final plans are being made for system and meter installation. We will prepare an information letter to send to the 200 pilot meter recipients.
- Attached this month is an updated employee directory, which includes pictures and a brief bio.
- We are moving forward with the Lowell Ventures LLC to provide electric service. The Memorandum of Understanding (MOU) has been signed.
- Pierce has received more documents on the 3.5MW combustion turbine and all aspects are still looking good. Pierce anticipates a site visit in late June or early July.

- **Short Term Punch List:**

- Ivan Blough Scholarship Fund – the fund is set up through the Lowell Chamber Fund and our check has been sent.
- Pierce reported he plans to have their first meeting in July with Lowell and Vergennes Township Supervisors & Clerks.

- **PILOT Discussion:** Pierce reiterated the Board has designated himself, Canfield and (possibly Jim Hall) to represent LLP. Mayor Hodges will check for appointments on the City's behalf.
- **Lowell Ventures LLC Building Service Update:** Pierce reported; the memorandum of understanding was signed after making few minor revisions. The engineering plan was discussed under Action items.
- **Biodigestion Update:** Pierce reported the enco2 proposal will be here Monday. Pierce also mentioned moving forward with Matt Ward on the grant applications for feasibility dollars due June 30th. Pierce will be meeting with contacts when he is in Lansing and Washington in the next couple weeks.
- **Superior Building:** Pierce reported that the Superior Building was sold to a Sports Medicine Supply company who will use the newer portion of

the building for office and storage. Service was restored there on Friday, June 3rd.

- **New Generation:** Pierce reviewed the photos of the combined cycle unit. The unit would require roughly a 100' x 60' building. The total output of this facility would be over 5MW when running at full capacity utilizing the steam generator as well as the gas turbine. Pierce believes it would be best to locate this at the substation. We are looking at a quote to disassemble, crate, move, reinstall and have up and running for less than \$1million. Pierce reviewed the newest rate projection graph in detail. Pierce reported at that MPPA had received a confidential offer for a nuclear PPA with fixed rates from now until 2023. Pierce stated this is a very good price and believes there are a number of utilities who will take advantage of this offer. However, he does not recommend it at this time for LLP because this is a base-load unit and we have excess base-load at off peak times which we currently sell on the market.
 - **Benefits Review:** Pierce updated the Board on the employee breakfast meeting with Dale DeHaan and a representative from Priority Health to review the change in our health plan.
 - **Lowell Transmission Line:** ITC is not interested in buying our six miles of transmission line. We found out ITC already owns the switches. Pierce stated even though we are not part of the bulk electric system our line may be. He believes the best solution would be to buy new electronic switches which would close us off should a fault occur, but would not impact the bulk electric system in either direction.
 - **Former Employee:** Pierce reported to the Board on the passing of a former employee, Bryce Updegraff. He also mentioned a situation on spousal insurance, which will require a separate discussion.
 - **Payables:** Pierce provided the May payables for the Board's review.
- D. **Schedule of Meetings:** Pierce presented the schedule of meetings to the Board.

E. **Complaint Register**: There were no new complaints.

VII. **NEXT REGULAR LLP BOARD MEETING**: The next scheduled Board meeting will be held, Thursday, July 14, 2011.

VIII. **BOARD COMMENT**: Mayor Hodges mentioned the retirement party Wednesday, June 15th, 6:30 p.m. at the Baptist Church as well as a cake and coffee reception at the City Hall, June 29th, 4-6 for Dave Pasquale's last day. He also mentioned the next City Council meeting is July 5th. Johnston is up for reappointment and has agreed to serve another 3-year term.

Beachum asked to add a couple action items for the next meeting The Trails would like a 20' easement through the back of Chatham (next to the railroad tracks). Beachum reported on the Pink Arrow banners-- Lowell Light and Power has agreed to hang the 2'x4' banners on Main Street. He was asking LLP to a purchase banner for \$199.

Hall commented on the spring newsletter and that he liked the information it provided to the community on what Lowell Light and Power is doing. He would like to have it posted on our website.

Valentine commented how pleased he was with LLP employee, Jon Francis who was driving during the Belding Mayor Exchange. He heard a lot of great comments and wanted to thank Jon for a great job representing Lowell Light and Power during their visit.

A. **CLOSED SESSION FOR GM'S Evaluation**: There was a motion by Beachum, supported by Hall to go into closed session to discuss the General Manager's evaluation. The motion passed by a unanimous vote of the Board. The Board went into closed session at 6:58 p.m.

The session was called to order by Chairman Canfield at 7:00 p.m.. Roll call was taken: Present were Chairman Canfield, Beachum, Hall, Johnston & Valentine.

There was a motion by Beachum and a second by Valentine to return to the open session at 7:10 p.m. The motion passed by a unanimous vote of the Board.

IX. ADJOURNMENT: There was a motion by Johnston and a second by Beachum to adjourn the meeting at 7:12 p.m. The motion passed by unanimous vote of the Board.

Chairman Canfield

Date