

MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF OCTOBER 13, 2011

- I. **CALL TO ORDER AND ROLL CALL**: The meeting was called to order at 5:38 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, City of Lowell Mayor Hodges and DPW Director Dan Desjarden.
- II. **APPROVAL OF AGENDA**: Pierce requested an addition to the agenda. Action Item (D), Retires – Cost of Living Resolution. There was a motion by Beachum and a second by Hall to approve the amended agenda. The motion passed by a unanimous vote of the Board.
- III. **APPROVAL OF MINUTES** (September 13, 2011 Regular Board Meeting). There was a motion by Beachum and a second by Johnston to approve the September Board meeting minutes. The motion passed by unanimous vote of the Board.
- I. **PUBLIC COMMENTS** (Items not on the agenda): There was no public comment.
- II. **ACTION ITEMS**:
- **Renewable Energy Revenue Adjustment**: Pierce stated this was a continuation from last month's meeting. Pierce reviewed the purchased power graph as well as the PCA cost deficiency graph which has began to escalate rapidly. Renewable Energy is a fixed cost; this is a long term cost that should be billed into our rate structure. Pierce believes it would be best to identify the Renewable Energy charge as a separate line item to show our customers our cost mandated by the State PA 295 Act. The average customer increase would be approximately 2.5%. There was a motion by Beachum and a second by Hall to approve separating out the Renewable Energy Cost on the customer bills. The motion passed by a 4-1 vote of the Board.
 - **AMP-O Fremont Documents**: Pierce and Russo attended the AMP-O Ribbon Cutting/Open House for the new AMP Fremont Combustion Turbine. MPPA and the member communities involved in the AMP-O Combined Cycle

Generator Project. The documents are a Resolution by our Board accepting a Power Sales and Power Support Contract. Pierce stated Dick Wendt made a few minor changes to these documents. The documents would give Pierce authorization to sign documents and administer changes to the contract. There was a motion by Beachum and a second by Johnston to approve the Resolution as submitted. The motion passed by a unanimous vote of the Board. A roll call vote was taken; Canfield, Johnston, Beachum, Hall and Valentine were in attendance.

- **Substation Tap-changer Inspection and Maintenance:** Pierce stated tap changers are up for inspection/maintenance at the main substation on Bowes Rd. Yearly oil samples are taken on these and the transformers and sent to SD Myers for analysis. The cost for the Load Tap Changers (LTC's) is \$10,250. There was a motion by Johnston and a second by Valentine to approve the inspection and maintenance of the Tap-changers. The motion passed by a unanimous vote of the Board.
- **Retiree's Cost of Living:** Pierce explained the process is the same as last year. An evaluation is required from the actuary, the cost is \$150. Pierce reviewed the evaluation results from Gabriel Roeder Smith & Company. The total cost to add this to the retirees cost is \$31,967. There was a motion by Johnston; seconded by Hall to approve the retiree's cost of living, pending City Council's approval. The motion passed by unanimous vote of the Board.

III. **INFORMATIONAL ITEMS:**

- A. **Performance Data:** Pierce reported to the Board that August performance data was discussed last month with the exception of the Total Electric Requirements which were down from the previous month and the previous year. Peak demand was down from the previous month 13.593 MW and up from the previous year.

Pierce stated September performance data reveals a good month, usage and revenue were down from the previous month and up from the previous year. Residential customer count was slightly down from the previous month and up from the previous year. Commercial customer usage and sales were up from the previous month and the previous year. Delinquent accounts were up from the previous month. Since we are reporting this data earlier in the month than last year, delinquent

amounts are not reflected similarly from the previous year. The balance after shut offs were down from the previous month.

There was not much change in our overall investments. The aging analysis for the month of September was particularly high.

Pierce reported there were 16 outages a total of 120 customers lost power. These were longer outages due to storm/wind damage. The line crew's activities for the month of September include rebuilds on S. West, S. Pleasant and Lincoln Lake; also time was spent on Smart Meter installation.

- B. Income Statement (September 2011):** Pierce reported September was another good month. We were over budget on revenue in sales and in total. Purchase power costs were high again this month. We are over budget for the month and year to date we are over budget by \$122,000. Attwood is now added to our commercial accounts.

Pierce reported our operating income was almost \$100,000, \$310,000 year to date. Net Income was over \$48,000, \$221,000 year to date. Pierce reviewed the capital expenses; with a yearly budget of \$650,000 total expenses are \$174,732.42, the year to date budget available is currently at \$487,822.58.

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

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

MPPA/MMEA: Pierce gave an update on the fall MMEA Conference held in Coldwater September 15th & 16th. Pierce reported it was two informative days with legislative and legal updates and good presentations from DTE on how they are coping with current market trends, EO, REP and a potential new NUC facility. The Belle River plant is one facility they plan on keeping in the fleet for the long haul. They predict keeping the plant environmentally compliant could cost upwards of \$750 M, just when the debt service would be expiring.

- **System/Generation Upgrade Progress:** Pierce reviewed the line crew's activities for the month of September. Conversions and rebuilds

continue, the Pilot meters were installed and other misc. maintenance was complete.

- **Strategic Plan Punch List:** Pierce reported on the following.
 - The website progress.
 - The Elster pilot meters are installed and up and running.
 - Construction on the Lowell Ventures project-Phase I is complete, they were energized the afternoon of October 8th.
 - The offer made on the Ford combustion turbine was accepted.
 - Bio-digestion project is moving forward; the MOU has been signed and a check mailed for \$30,000. Pierce received the Planning Commission packet which will be submitted to the City and will be place on the Planning Commission agenda for Oct. 24th.

- **Short Term Punch List:** Pierce stated these items are underway.
 - Community Disaster Plan
 - Joint Billing
 - Township Supervisors-met with Jerry Hale
 - PILOT

- **Pilot Meters:** Pilot meters have been installed and the system is working. We are now able to read these 187 meters remotely from our office. All minor bugs have been worked out and we believe the system will be fully operational for remote meter reading this next billing cycle.

- **Ventures LLC Building Service Update:** Pierce reported phase one of the project is complete. Phase two of this project, which is the underground (river) boring and new conductor is underway. The application for a permit to the MDEQ, and partially dependent on the availability of contractors to complete the work.

The Utility has had conversations with Lowell Schools and Comcast regarding utilizing conduits we are installing under the river. The estimated cost for the schools in \$14,000 to reconfigure their fiber and they do not have the funds. No estimated costs have been received for Comcast yet, but they are hesitant to spend funds for something that is not required. This may be an area where Lowell Schools and Comcast could work with the City to obtain funds from the Community or LCTV fund to accomplish this aesthetic improvement.

- **Biodigestion Update:** Pierce reported the project is moving forward at a fast pace trying to get all the ducks in a row for the Federal 1603 Grant. We have been awarded the REAP Feasibility Grant, we are in the process of finalizing the MOU with SPART, SPART has hired Nederveld Civil Engineering to prepare the Chatham site review packet for the Planning Commission meeting in late October, Dan Girvan (the Mechanical Engineer who reviewed the specs for the combustion turbine) will be designing the layout and re-configuration of the unit on the Chatham site, and we met with Litehouse this week to begin contract discussions regarding their waste supply to the biodigester. SPART also provided a visual presentation for exhibition at our open house.
- **New Generation:** Pierce reported on the strategic plan review and offer for the Ford Combustion Turbine and associated equipment has been accepted. We are moving forward with our due diligence with respect to a boiler inspection and generator inspection. The logistics of dismantling the unit, skidding it and relocating it to Lowell by December 1, 2011 is underway as well.

Pierce also reported they are looking at the possibility of adding a 1MW CHP generating engine to the design of the Bio-digestion facility. This unit would be a new gas fired reciprocating unit that can consistently and more efficiently burn the biogas when the Combustion Turbine is not being called upon to run based on market parameters. This unit would be include in the bio-digester facility design and could therefore be included in the 30% 1603 Grant recovery calculations. This would ultimately give us another MW of internal capacity.

Pierce reported he was recently contacted regarding a newer (2005) Combustion Turbine available in Chicago for not much more money. Pierce and Russo may be traveling next week to Chicago to look at this.

- **Harvest Festival:** Pierce reported the Harvest Festival went well; we served over 400 hotdogs, chips and drinks. Many visitors rode the Energy bike; over 50 CFL's were given to our customers. Many kids took bucket rides and enjoyed coloring pumpkins.
- **Winter Shutoff Policies/Procedures:** During the past months we have had several discussions about the issues that arise with no shut offs in

the winter and how can we help our customers be more consistent in their payments. One process we recently implemented was to call each customer that shows up on our shut off list and try to work out payment arrangements with them before they actually get shutoff. Last month the shutoff list went from 40 names and only ended up with two customers being shut off. As part of this process we have implemented a payment catch up program and are looking at a budget billing plan. Donkersloot explained our new weekly/bi-weekly payment arrangement plan allows the customer to pay off their outstanding balance while keeping up with their current charges over a reasonable amount of time.

- **Operating Ratios and Statistics:** Pierce stated last year he presented some key operating statistics and how LLP compared with other utilities in APPA (in total and in our size class). Pierce reviewed the financial and operating ratios spreadsheet.
- **MERS:** Pierce reported he attended a portion of the MERS Annual meeting. One issue that was most apparent is that there were a number of communities/groups that moved to a defined contribution (DC) plan without fully understanding the actuarial implications of such a move. They have discovered that while their pension cost for new hires had decreased, the cost for the employees remaining in the defined benefit (DB) group increased significantly and will likely remain at a higher level for the next 10-15 years. These groups did not understand that when they close a DB group, actuarially there is not new money going into the plan and the funding premise has to change to insure that by the time the last person in the group retires, the plan is fully funded. This automatically increases the amount of employer contribution until they get caught up to the point on the actuarial curve where the % funding matches the time and revenue expected to be contributed before that last employee in the group retires.

Primarily due to the negative implications of this change to DC for new hires, MERS has developed a Hybrid Plan which serves to offset the actuarial impact. The hybrid plan is a combination of the DB and DC plans where there is a DB which is significantly reduced from the employer's current DB plan and gets augmented with a DC plan. With

the hybrid pension plan, funds continue to flow into the DB plan with reduced final benefits to the new hires so there is little or no actuarial catch up required to keep the plan on track. The DC portion of the plan can be set up to any level that meets the needs of the employer and the employees. This is the plan that would make the most sense if LLP were to make a change for new hires.

- **Payables**: Pierce provided the September 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.

IV. NEXT REGULAR LLP BOARD MEETING: The next scheduled Board meeting will be held, Thursday, November 10, 2011.

V. BOARD COMMENT:

Mayor Hodges reported the Planning Commission is having an orientation and training program on Wednesday, October 19th. Steve Bukula and his daughter were involved in motorcycle accident, they will be fine but he will be off work for a month.

Hall stated he would like Pierce to look at the new City dashboard.

Valentine gave condolence to the family of former Lowell Police Officer Trevor Slot who lost his life in the bank robbery today.

Canfield and Hall gave thanks to the Pierce children who were a great help in making the Harvest Festival open house a success.

Beachum thanked Donkersloot his diligent efforts on the payment arrangement plan as well as having the most recent performance data together.

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

Chairman Canfield

Date