

MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF JULY 12, 2012

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order at 5:30 p.m. by Chairman Canfield. Present were Beachum, Cadwallader, Canfield, and Johnston. There was a motion by Beachum, seconded by Johnston to excuse Laponsie, (expected to arrive late). The motion passed by a unanimous vote of the Board. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris, Mayor Hodges and Lowell City Manager Howe.

Laponsie joined the meeting at 5:46 p.m.

- II. **APPROVAL OF AGENDA:** Pierce requested an addition to the agenda, Action item C. Approval of the New APPA Safety Manual. There was a motion by Johnston, seconded by Beachum to approve the agenda with the addition of Action item C. The motion passed by unanimous vote of the Board.
- III. **APPROVAL OF MINUTES** (June 14, 2012 Regular Board Meeting). There was a motion by Beachum and a second by Johnston to approve the June meeting minutes as presented. 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:**
- A. **Approval of Line reconstruction to Chatham:** Pierce stated last month the Board approved the materials needed. The actual construction bids are in and Kent Power is the lowest bid at \$29,426.34. There was a motion by Beachum, seconded by Johnston to accept Kent Power's construction bid of \$29,426.34. The motion passed by a unanimous vote of the Board.
- B. **Approval of Annual Write-offs:** Pierce stated each year LLP writes off the balances from those accounts that have been closed and there has

been no activity on these accounts since the previous June. The current write-off amount is \$6,564.48. This is \$1,626.95 lower than the amount written off the previous fiscal year. There was a motion by Johnston and a second by Beachum to approve the 2012 FYE write-off of \$6,564.48. The motion passed by a unanimous vote of the Board.

- C. **Approval of the New APPA Safety Manual:** Pierce stated in the past we have been using safety manual revision 14, we would like to begin using revision 15. One of the criteria in the RP3 process is that the Board approves use of the most recent safety manual edition. There was a motion by Cadwallader and a second by Johnston to approve the use of the revision 15 APPA Safety Manual. The motion passed by a unanimous vote of the Board.

IV. **INFORMATIONAL ITEMS:**

- A. **Performance Data:** Pierce reported to the Board the balance of the May performance data. Total Electric Requirements were up significantly from the previous month and year. Peak demand was at 11.347MW which is up 16% from the previous month and slightly less than the previous year.

Pierce reported June was a very good revenue month; residential sales were up from the previous month and slightly down for the previous year. Our residential customer count was up from the previous month and previous year. One Commercial customer was added from the previous month. Commercial customer sales were up significantly from the previous month and previous year.

The delinquent accounts were slightly higher than the previous month and previous year. The balance after shut offs were down significantly from the past couple months as well as the previous year. The delinquent amount still owing from May was slightly up from the previous month and significantly down from the previous year.

The overall cash and investments are significantly down. Pierce stated this is something that typically happens in June as we close out accounts and work orders; to get things wrapped up for our fiscal year end. It also reflects that many items were paid off that were approved

for the CT's and the river crossing for circuit 208. The aging analysis, 1-30 days, was significantly down as is the total outstanding amount.

Pierce reported in the month of June there were 4 outages, affecting 6 customers for a total 665 minutes. There were some issues with some of these outages; customers were out for a longer period than typical. Even with these outages, our 12 month outage statics reveal we are still available 99.98% of the time. The majority of the crew's work was spent on getting ready for the Combustion Turbines. Pierce gave kudos to the crew for their work pouring the concrete pads so the CT's could be set in place. Also, several hours were spent upgrading the system.

B. Income Statement (June 2012): We had a very good June. Revenue was over budget by approximately \$9,000 for the month and over budget for the year by over \$84,000. Purchased Power in the month of June was over budget for the month and \$108,399.51 over budget year-to-date. Even with the Purchased Power over budget year-to-date, Pierce was pleased to report with all other expense categories were in line or under budget. Therefore, our year-to-date operating expenses were \$103,275 under budget.

Our Operating Income for the month of June was over \$62,000; and approximately \$188,000 over budget year-to-date. We had a net income of over \$26,000 in the month of June. Our year-to-date Net Income is \$411,596, which is \$175,000 over budget for the year.

Pierce stated the 2012 Capital Expense Summary showed no surprise; part of the CT and Circuit 208 rebuild were budgeted in 2013 and were paid in 2012. Therefore, the Capital Expense balance is over budget by \$94,414.

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

- **Biodigestion Update:** Greg Northrup and Pam Landis from SPART gave an update. Greg gave an update on the feedstock agreements. Northrup was please to announce a 5-year agreement with a 5-year renewal option was signed by Swiss Lane, a large dairy operation south of town. Swiss Lane will supply us with about 8,000 tons per year of manure. Discussions are in the works to use a local hauler, who is located between Lowell and Swiss Lane. A 5-year contract with a

5-year renewal option has been signed with Kirkstra, a fats, oils and grease contractor.

Pam stated they have a proposal on the table, with the help of Williams and Works, to Litehouse for a water pre-treatment facility located with the digester. The process would use a dissolved air floatation system to separate the solids out of the water and clean it to the point where it would be accepted by the water treatment plant. Litehouse produces about 5 million gallons of liquids, that amount of liquid going through the digester would require a large holding tank and holding time to extract the value. There are only about 1% solids in the liquid they truck away. Several discussions took place on the placement of this additional system. The purchased power agreement is progressing.

If all progresses as anticipated, ground breaking will begin the end of October and will take approximately 6 months to complete.

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

MPPA closed on its purchase share of the AMP Ohio Fremont facility. We are now officially a part owner of that Combustion Turbine generator.

MPPA held a Strategic Planning session this week.

MMEA: A conference group met and toured the Crown Plaza in preparation for the MMEA fall Conference. Everything appears to be in place for the event. Pierce included a preliminary draft of the conference activity. Pierce pointed out on Wednesday, September 26th, 3 training sessions will occur by APPA staff on Board Governance. Previously, we talked about APPA coming to Lowell for a one-day onsite workshop. APPA is willing to do this at the conference at no charge. Pierce encouraged all Board members to attend. Several topics were presented and Board members were asked to select topics they were most interested in to help finalize the conference schedule.

Pierce stated Thursday several speaker sessions will take place and Board members are welcome to attend. Pierce encouraged all Board members and spouses to attend the Thursday evening banquet dinner. We are working to secure Congressman Amash, Senator Hildenbrand and Representative Lisa Posthumus-Lyons to be present at the various

times throughout the conference. As the host utility we would like to have good LLP representation.

The Governor's winter protection fund "HAVE" has been funded through the general fund for this year. A couple of legislative representatives attended the MMEA Board meeting. Discussions took place regarding legislation which has been introduced to bring regulation of the Miss Dig process under the control of the Michigan Public Service Commission (MPSC). There was discussion about 25 by 25 and we let the Governor's office know that we joined the organization CARE, an organization lobbying against the 25 by 25. The Governor has not yet taken an official position on this issue. However, he has voiced concerns about the concept of 25 by 25. He is expected to make a formal statement regarding this issue in the fall. The Governor has also postponed his energy speech until after the election. Another piece of legislation in the State House is to offer an opt-out to the Energy Optimization Plan for utilities with less than 500,000 customers. We would be promoting this legislation, not because we don't believe in Energy Optimization, but because the administrative and reporting components have become a financial burden for small utilities. Vice Chairman Johnston mentioned the MPSC is looking at an opt-out mechanism for Smart Meters because of the consumer controversy.

- **System/Generation Upgrade Progress:** Both Combustion Turbines are in place and we are getting ready to put the mechanical and duct work out for bid to begin the reassembly of the two units into their new configuration. The air permitting application is being filed for both turbines and we will begin construction of the new generation interconnect line to connect the turbines to our system.

We still have not determined how to proceed with the boiler from the Ford site. It is still being staged at the Rawsonville facility until we make a final determination.

- **Strategic Plan:** We spent time on the Strategic Planning last month and Pierce felt the outcome was very positive. An updated revised plan was included to revise some goals and action items suggested from the planning session. A few updates as well as suggestions were discussed and additional information will be available for the next Board meeting.

- **Building Maintenance:** Pierce stated he received one proposal for the restoration of the building from its mold invasion. The final report from the Certified Industrial Hygienist confirmed elevated levels of mold in the building. Several abatement contractors were recommended so we will be seeking additional proposals for the removal and refurbishing process.
 - **Payables:** Pierce provided the June 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, August 9th, 2012.

VIII. **BOARD COMMENT:**

Beachum mentioned several activities planned for the Pink Arrow Community Day on Tuesday, July 31, 10-6 at Gilda's Club. Perry encouraged Board members and the community to attend. Perry also mentioned the Pink Arrow banners will be hung on Main St. July 30th.

Mayor Hodges announced he recently appointed Jim Salzwedel to the Planning Commission, April McClure to the DDA Board and Greg Canfield to another 3-years on the Lowell Light and Power Board.

Canfield commented, he is pleased to see how close the budget and actual numbers come in monthly. He congratulated the staff on this major improvement.

There was a motion by Laponsie and a second by Beachum to go into closed session for the General Manager evaluation at 6:50 p.m. The motion passed by a unanimous vote of the Board.

There was a motion by Beachum, seconded by Laponsie to come out of the closed session at 8:39 p.m. and return to the regular meeting. The motion passed by a unanimous vote of the Board.

There was a motion by Johnston, seconded by Beachum to increase the General Manager's salary by \$10,000 plus an additional 3% of new base pay. The motion passed by a unanimous vote of the Board.

IX. **ADJOURNMENT**: There was a motion by Laponsie and a second by Beachum to adjourn the regular meeting at 8:43 p.m. The motion passed by a unanimous vote of the Board.

Chairman Canfield

Date