

**MINUTES  
BOARD OF LOWELL LIGHT AND POWER  
REGULAR MEETING OF JUNE 14, 2012**

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order at 5:32 p.m. by Chairman Canfield. Present were Beachum, Cadwallader, Canfield, Johnston and Laponsie. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris and Mayor Hodges.
  
- II. **APPROVAL OF AGENDA:** There was a motion by Beachum, seconded by Johnston to approve the agenda as presented. The motion passed by unanimous vote of the Board.
  
- III. **APPROVAL OF MINUTES** (May 17, 2012 Regular Board Meeting). There was a motion by Beachum and a second by Laponsie to approve the May 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 Expenditure for line reconstruction to Chatham:** Pierce discussed the process of getting the Combustion turbine connected to our system and the need to rebuild two or three blocks of distribution. The estimated cost for materials was approximately \$30,000. The lowest bids were Power Line Supply and Resco totaling \$17,525.90.  
  
There was a motion by Johnston, supported by Laponsie to approve the expenditure of \$17,525.90 for materials to rebuild distribution to connect the CT(s) to our system. The motion passed by a unanimous vote of the Board.
  
  - B. **Compressor for Combustion Turbine:** Pierce stated the Ford Combustion turbine was delivered today and set in place. In the process of getting the materials from Ford, we received all the spec information from the compressor. The compressor is what increases the gas pressure to the pressure we need to run the turbine. We were under

the assumption all along that the Ford compressor would be sufficient to increase the gas pressure needed at the Chatham site to run the turbines. After tracking the specific model and information, it was determined that it will not meet our needs. We looked at several options for supply from Consumers Energy and have decided that utilizing the low pressure supply with a compressor is more cost effective than building a high pressure line to the site and using a smaller compressor. The compressor coming from the Ford facility is unable to operate in the psi range needed for operating the turbines with the gas supply from Consumers.

The mechanical engineer for this project has received the lowest compressor price from Knox Western for \$176,170. We believe some of this cost will be off-set by selling the Ford compressor, assessed between \$75,000-\$90,000. The Ford compressor is believed to be marketable.

Pierce stated this was not specifically an item that was budgeted for in our Capital Plan since we believed the compressor coming from Ford was usable for our facility. However there is enough money available in the Capital budget for the net impact of this purchase once the Ford compressor and other miscellaneous scrap materials from the two CT purchases are sold. Pierce stated the \$100,000 in the capital budget for the meter conversion would be much less than budgeted. He believed there would be approximately \$75,000 to use toward the compressor purchase.

Several discussions transpired on this issue. Based on the information presented, there was a motion by Beachum and a second by Laponsie to approve the purchase of a gas compressor from Knox Western for \$176,170. 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 April performance data. Total Electric Requirements were up over 20% from the previous year. Peak demand was at 9.772MW which is up 12.4% from the previous year.

Pierce then reported the May performance data. May was a good month; residential sales were down from the previous month and up from the previous year in both kWh and sales. Our residential and

commercial customer count was up slightly from the previous month. Commercial customer sales were up significantly from the previous year.

This is the first full month of coming off our winter shut off policy. Therefore, delinquent account and balance after shuts were both up. The delinquent amount still owing from April was up, primarily due to a couple of customers who were overlooked in the winter protection plan. This oversight highlighted a few areas that need closer attention in the future.

The overall cash and investments are consistent with the previous months. The aging analysis remains consistent with the previous several months. We continue working to reduce the potential write off, currently at \$6,564 for the current fiscal year.

Pierce reported in the month of May there were 4 unscheduled outages, affecting 51 customers for a total 180 minutes. There was one scheduled outage to connect the east side service, affecting 488 customers for 23 minutes. Our 12 month outage statics reveal we are available 99.98% of the time. The majority of the crew's work was spent on system upgrades during May.

**B. Income Statement (May 2012):** May was a great month, we had excellent revenue. Revenue was over budget by approximately \$20,000 for the month and over budget for the year by \$76,000. Purchased Power in the month of May was significantly under budget, approximately \$45,000, which brings our year to date under budget down to \$80,000. All other expense categories are in line, most categories are under budget. Year-to-date our operating expenses are \$110,000 under budget.

Our Operating Income for the month of May was over \$60,000; and almost \$200,000 over budget year-to-date. We had a net income of over \$21,000 in the month of May. Our year-to-date Net Income is \$385,000, which is \$175,000 over budget for the year.

Pierce stated the 2012 Capital Expense Summary is showing over \$150,000 is still remaining. As we finishing dismantling and transportation of the Ford CT, those dollars will be spent.

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

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

**MPPA/MMEA:** Pierce stated MPPA/MMEA both met this week.

MPPA is in the process of securing bond funding on the AMP Ohio project. The process continues moving forward.

MMEA court cases are all in a holding pattern. The winter protection fund the Governor has set up is moving forward. It appears the fund will only be collected by electric utilities rather than split between electric and gas meters, as originally discussed. We will likely be required to collect \$12 per customer meter to meet those obligations required to fund that program. Legislation has been introduced to bring regulation of the Miss Dig process under the control of the Michigan Public Service Commission. There is a 2<sup>nd</sup> bill in the legislation which is more detrimental to us which would eliminate government immunity. It appears that bill would go away if the MPSC rule was adopted. There is also a bill introduced which would allow the EO program to sunset in 2015.

- **System/Generation Upgrade Progress:**

The Ford CT is in place and on its foundation. The next step is to cut the foundation and put the pad in for the IVEX turbine. Once those two are in place, the duct work and plumbing will be connected. To utilize these this summer they needed to be registered in the MISO market by May. We are not under any pressure to get these up and running since we have missed that window for this year.

Pierce stated a glitch in the steam boiler transportation from the Ford facility has occurred. We are ultimately weighing the pros and cons of the costs and risks associated with the options and will likely leave the boiler staged outside the Ford facility until the details are worked out. One option may be to sell the boiler for scrap as it is not an integral part of the immediate generation configuration.

The River bore and associated connections for the 208 circuit at 12470 volts is complete to the east side of town and all of our old wires have

been removed. We will continue to work with the City, Comcast and the L.A. Schools to get the other line in the conduit.

- **Pilot Meters:** The Smart Grid Summit in San Diego was renamed the “Better Grid Summit” and proved to be beneficial. We did select a “hosted” solution for capturing our automated meter data from 200 pilot meters and will continue with that hosted solution for the near future. Pierce believes the next area for meter deployment is with our commercial customers and will initiate a customer enhancement pilot for residential customers having automated meters from the original pilot.

There is a significant movement in the municipal industry towards electric prepay which is an interesting option available with automated meters. Customer culture is transformed to thinking about electricity the same way you think about the gas in your car, when it gets low you would refill.

- **Biodigestion Update:** The Town meeting and update on the Germany trip was held on May 29<sup>th</sup> and appeared to receive a positive response from most of those in attendance. The Lowell Planning Commission met later that evening and gave their approval to the revised site plan contingent on landscaping and signage.

Pierce met with Spart Tuesday, June 12<sup>th</sup>, they have set up a time schedule for completion of the Biodigester. Spart plans to begin construction mid-late September with completion in 9 months.

Once the Planning Commission requirements are met, the finalized purchased power agreement and lease agreement are signed; the next step is to apply for a building permit.

Spart is pursuing discussions with Williams and Works to develop a pipeline directly into the biodigester for Litehouse.

- **Strategic Plan:** The Strategic Planning session occurs immediately after this regular meeting. An updated Strategic Planning packet is attached.

- **Employee Benefits Renewal:** We met with the retirees on June 7<sup>th</sup> to explain the new Hartford plan and all went well. Pierce stated Paul Christman, a former LLP Superintendent, recently passed away.
  - **Building Maintenance:** The final report from the Certified Industrial Hygienist confirms elevated levels of mold in the building. Three abatement contractors are bidding on the removal and reconstruction process.
  - **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 12, 2012.

VIII. **BOARD COMMENT:**

Johnston stated he was pleased to see the budget so far under budget. He encouraged the utility to published information about CARE, he feels that the question, should it make the ballot, could put LLP in a bad situation if it moves forward.

Beachum suggested a letter be sent to customers prior to October's billing explaining the \$12 winter protection meter fee implemented by the Governor and include "call your Congressman".

Mayor Hodges reported Chief Getzen had bypass surgery last Friday, he is now home recovering. The City budget was passed at the last City Council meeting. It appears they will finish 2012 with a balanced budget. The Mayor stated there are three openings on various boards; the Planning Commission, the Airport Board and DDA all have one vacancy.

There was a motion by Laponsie and a second by Beachum to go into closed session at 6:26 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 7:13 p.m. and return to the regular meeting. The motion passed by a unanimous vote of the Board.

IX. **ADJOURNMENT**: There was a motion by Beachum and a second by Laponsie to adjourn the regular meeting at 7:15p.m. The motion passed by a unanimous vote of the Board.

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Chairman Canfield

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Date