

MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF MARCH 8, 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, Canfield, Cadwallader, Johnston and Laponsie. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris and Lowell City Council Member & Mayor Pro Tem Ellison. Lowell City Manager Mark Howe joined the meeting at 5:35 p.m.

- II. **APPROVAL OF AGENDA**: Pierce requested one addition to the agenda, to add a Closed Session for Property Acquisition at the end of the meeting, after Board Comment. There was a motion by Beachum and a second by Laponsie to approve the agenda as amended. The motion passed by a unanimous vote of the Board.

- III. **APPROVAL OF MINUTES** (February 9, 2012 Regular Board Meeting). There was a motion by Beachum and a second by Johnston to approve the February 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 CT Electrical Interface Equipment**: Pierce stated he anticipated having the CT connection equipment quotes to the Board last month but had not received them from the engineer. Theka Engineering is the engineering arm of Newkirk who engineered and built the control panels when we were reconfiguring the connections for our diesel generators. Pierce stated Theka has done a good job for us in the past and they committed to reusing as many of the previous components from those control panels as possible when constructing the new CT connection. Pierce stated he had budgeted \$250,000, Theka's estimate is \$240,809.

A motion was made by Beachum seconded by Laponsie to approve Theka's recommended low bids totaling \$240,809, recognizing there will be approximately an additional \$100,000 in installation costs. The motion was passed by a unanimous vote of the Board.

- B. **Approval of bid for boring and construction of River Crossing:** Pierce reported there are three additional components of the boring under the Flat River to extend Circuit 208 to the east side of town. Last month the Power Line Supply bid was approved for most of the supplies. This month the new switchgear, the electrical line installation and the under-river boring itself need approval.

Pierce stated there is only one switchgear provider who supplies the level of quality equipment needed for this application. The bid is from Champion Charter for \$15,509.50. There was a motion by Beachum seconded by Johnston to approve the purchase of the switchgear from Champion for \$15,509.50. The motion was passed by a unanimous vote of the Board.

Pierce reported two bids were received to complete the actual underground river boring. The bidders were Advanced Underground and Roemer Utility Services. The low bidder was Roemer (teamed with Buist Electric) who's bid at \$153,392.25 was \$10,825.75 under Advanced for this segment of the project. There was a motion by Beachum seconded by Laponsie to approve the bid from Roemer Utility Services to complete the under-river boring for \$153,392.25. The motion was passed by a unanimous vote of the Board.

Pierce reviewed the bids received for the electrical installation to complete the hook up and connections to our system at each end of the boring. Two bids were received for the work; Kent Power and Newkirk. Kent Power was the low bidder at \$81,440.87, which was \$14,957.30 below Newkirk. There was a motion by Johnston and a second by Beachum to approve the bid from Kent Power to complete the electrical installation in conjunction with the under-river boring for \$81,440.87. The motion passed by a unanimous vote of the Board.

- C. **Approve Annual Renewal of Employee Basic Flex Benefit:** Donkersloot stated the Basic Flex Spending Plan gives employees the opportunity to have a fixed amount of money (their choosing) deducted from their pay, pre-tax, to spend on health related expenses, such as doctor's visits and

prescriptions. Continuing to offer this benefit requires Board approval each year. There was a motion by Johnston and a second by Laponsie to approve the annual renewal for 2012. The motion passed by a unanimous vote of the Board.

- D. **Approval of Draft 2012-2013 Operating and Capital Budget:** Pierce reiterated last month he presented the Long Range Financial Projections model and reviewed the big picture budget for 2012-2013. This packet includes projections to 2024. The two main years we are focusing on is 2012 and 2013. We have refined and will continue to refine the projections with more current data until the final budget is approved in May. Overall we anticipate an 8% growth in revenue due to the minor adjustments we made in our rate structure in late 2011, to the addition of Ventures, and a recovering economy. Overall operating expenses are expected to rise slightly more than revenue in the next fiscal year. The reasons are primarily due to the addition of in house generation expenses, continued increases in purchased power, increased legal and engineering services, health care and depreciation of new assets. We continue to have a good operating income projected for 2013 at approximately \$800,000 and net income of 348,200 which is actually an increase over what our original budget for 2011-2012 had projected.

Pierce discussed a few minor changes to the 2012-2013 Capital Plan budget. More money was added to CT installation which increased the total by about \$40,000. There was a motion by Beachum and a second by Laponsie to approve the draft Operating and Capital Budgets for fiscal year 2012-2013. The motion passed by a unanimous vote of the Board.

IV. **INFORMATIONAL ITEMS:**

- **Bio-Digester Update:** The project continues to move forward. Feed stock contracts continue to progress. SPART is finalizing projections and the second MDEQ review is expected next week. It is SPART's goal to be on the agenda for the March 26th Planning Commission meeting. Greg and Pam from SPART gave a brief update on progress made with local transportation companies. They are planning on attending regular Board Meetings to keep the Board updated on progress. Once all the necessary approvals are finalized, construction is anticipated to begin the end of May.

- A. **Performance Data**: Pierce reported to the Board that January performance data was discussed last month with the exception of the Total Electric Requirements which were up about 6.1% from the previous year. Peak demand was up from the previous month at 10.738MW and up about 12.7% from the previous year.

Pierce then reported on the February performance data. February was a good month. Residential sales dollars were down from the previous month and slightly up 1.8% from the previous year. Residential kWh sales were down, due to the mild weather. Commercial kWh sales were up from the previous month and the previous year. Commercial sales dollars were up slightly from the previous month and up 16.7% from the previous year. Commercial customer count was up from the previous month and down slightly from the previous year. Delinquent accounts were down 25.2% from the previous month and about the same for the previous year. The balance after shut offs is down slightly from the previous month and significantly down from the previous year. Delinquent amount owing from January is down significantly.

The overall cash and investments are down due to the purchase of the Ford Combustion Turbine (CT). The aging analysis for the month of February remains consistent with the previous months and the potential write off is down \$1,158 to \$6,564.

Pierce reported in the month of February there were 2 outages, effecting 10 customers for a total 115 minutes. Our 12 month outage statics reveal we are available 99.978% of the time.

Pierce announced due to a major snow storm in Traverse City, 8,000 of their 12,000 customers were without power. Mark Droog spent 4 ½ days in Traverse City assisting in efforts to restore power.

- B. **Income Statement (February 2012)**: February was an ok month. Overall we are still doing very well with operating revenue. Purchased Power was over budget this month, totaling \$136,377.72 over budget for the year. Since we are under budget in other categories, our total Operating Expenses are still approximately \$3,000 under budget.

Our Operating Income for the month was less than budgeted due to a shorter billing cycle month, which left us with a net income loss of \$(4,954.83).

Pierce reported the 2012 capital expenses were revised to add the Ford CT. The portion of the year-to-date budget still available is currently \$372,785.71.

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

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

MPPA/MMEA: Pierce reported the MPSC has accepted our revised Renewable Energy Plan (REP), which shows we meet the 10% standard by 2015 without exceeding the surcharge cap. We are also registered for the MIRECS system so our Granger RECs will count toward our renewable requirements.

MPPA/MMEA won a portion of the MVP transmission battle at FERC. FERC agreed with our stance that the new MISO tariffs for transmission should not apply to what are called GFAs (Grandfathered Transmission Agreements). FERC upheld our position which will save us millions in additional transmission costs over the next 20 years.

MMEA; there is no further news on the greater transmission issue or the Great Wolf Lodge issue. We are gaining more recognition in Washington for the MISO transmission tariff and more congressional delegates are asking for clarification/backup on why we think FERC's cost allocation decision for MISO is harmful to Michigan. The next step is to get FERC to recognize the injustice for Michigan, pertaining to the socialized tariffs (transmission costs) for MVP projects which are mainly the wind turbine project out West.

There is support for the Governors HHAV (Home Heating Assistance for the Vulnerable) plan. We can expect to be collecting some fee from our customers by October 2012.

The MMEA/APPA Legislative Rally in Washington is scheduled for March 12th-14th this year. As Board Chair for MMEA, Pierce will be attending.

Lowell has been selected to host the MMEA Annual Fall Conference in 2012. The conference will be September 26th-28th and will be held at the

Crowne Plaza on 28th Street. We will be working diligently to provide a first class event since we are the host Utility.

- The APPA Lineman's Rodeo and Technical Conference is scheduled for April 13th -18th in Cleveland, Ohio. Several employees, as well as Perry are attending to observe the event this year since it is so close. Perry and Tom are accepting the Safety Award being presented to LLP.
- **System/Generation Upgrade Progress:** Pierce reviewed the line crew's primary activity during the month of February which continues to be tree trimming for line maintenance.

The process is moving forward on installation of the new CT(s). Due to lag time for parts and supplies, it appears we may not be up and running by early summer as hoped. The purchase of the Ford CT has been finalized; bids are being secured for the dismantling and shipment to Chatham sometime in May.

- **Pilot Meters:** We are still working out an implementation schedule with Elster for build-out of the new meter system. The plan is to complete the process over a three-year period.
- **Circuit 208 Extension Across the River:** Pierce reported although there is some lag times associated with required materials, our goal is still to have the project complete by Memorial Day.
- **Strategic Plan:** Pierce discussed the Strategic Plan in detail. He reviewed the goals established and progress made during the past year in meeting those objectives. Great strides have been made toward meeting those goals. The next step is redefining and modifying new goals for the upcoming year.
- **Website:** Finishing touches are being made on the new website. We anticipate a soft launch very soon. Sharon is updating Board profiles for the new website as well as adding the new Board Member's as she receives updated information.
- **APPA In-House Training:** Pierce discussed details for bringing Board Member in-house training to Lowell. This includes a one-day training at \$3,500 plus instructor's expenses.

- **Payables**: Pierce provided the February 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, April 12, 2012. Pierce reported the May meeting will be changed to May 17, 2012 due to schedule conflicts.

VIII. **BOARD COMMENT**:

Beachum discussed scheduling the Manager's review, the Board agreed to discuss this at April's meeting. Perry asked for an update on the status of the Union contract negotiations Pierce stated, they have met twice, there was nothing yet to report. Perry also discussed our Utility's Cyber Security; Pierce described our security measures currently in place on our systems. Beachum inquired about the presence of LLP for the upcoming Expo, March 24th. Lastly, he mentioned how pleased he is with the staff and seeing the delinquent accounts continue to decrease.

Johnston commented how pleased he is with the staff, the budget and the collections, and how well the goals were met on the Strategic Plan. Andy is proud to be a part of LLP which continues to make progress toward becoming a premier utility for its size.

Howe commented on the many changes being made in the downtown area. Specifically he thanked Lowell Light and Power for generously assisting the community in hanging banners in the downtown area.

Canfield echoed comments already made giving kudos to the LLP staff. Greg also specifically thanked Mark Droog for giving up his time to assist in restoring power to Traverse City. He also gave congratulations for receiving the American Public Power Safety Award again this year.

IX. **ADJOURNMENT**: There was a motion by Beachum and a second by Laponsie to leave the regular meeting at 6:58 p.m. and go into closed session. The motion passed by a unanimous vote of the Board.

A motion was made by Johnston and seconded by Cadwallader to return to the regular meeting at 7:45 p.m. The motion passes by a unanimous vote of the Board.

A motion was made by Johnston, seconded by Beachum to adjourn the regular meeting at 7:46 p.m. The motion passed by a unanimous vote of the Board.

Chairman Canfield

Date