

**MINUTES**  
**BOARD OF LOWELL LIGHT AND POWER**  
**REGULAR MEETING OF MAY 17, 2012**

- I. **CALL TO ORDER AND ROLL CALL**: The meeting was called to order at 5:34 p.m. by Chairman Canfield. Present were Beachum, Canfield and Laponsie. There was a motion by Beachum and a second by Laponsie to excuse Johnston and Cadwallader. 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 Mark Howe.
- II. **APPROVAL OF AGENDA**: Pierce requested moving the Biodigester discussion from the Manager's Report to before the Action Items. There was a motion by Beachum and a second by Laponsie to approve the amended agenda. The motion passed by unanimous vote of the Board.
- III. **APPROVAL OF MINUTES** (April 12, 2012 Regular Board Meeting). There was a motion by Beachum and a second by Laponsie to approve the April 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.
- **Biodigester Update**: Russo presented a slideshow and video to detail their findings from the Germany trip. He and Mark Howe discussed photos from each facility visited. Very positive discussions evolved and included other members of the team who participated in the Germany trip and were present for the meeting.
- V. **ACTION ITEMS**:
- A. **Employee Benefits Renewal**: Pierce discussed the details of the 2012-2013 Insurance renewals. He was pleased the renewal rate for the Priority Health, Healthy by Choice Plan came in much lower than anticipated. The renewal rate for the same coverage we currently offer is up only 5% from the previous year. Pierce reviewed other options presented by the Hylant Group, but determined the renewal of our

current plan was the best solution for our employees. This option will also keep us under the State hardcap criteria. Our ultimate goal is to two plans for employees to choose from based on their individual needs and we will be working with the City on that for the future. Our renewal is only available if we take our retirees off the Priority Health plan. A Hartford Plan is available for our retirees which includes similar benefits at a slightly reduced cost.

Our dental plan from Met Life renewal came in at +6.76%. If we roll all three of these renewal recommendations together and maintain the current employee contributions level of 10%, the overall increase in the health/dental benefits to LLP for 2012-2013 is 2.6% or \$4,938.60.

There was a motion by Beachum, seconded by Laponsie to approve the continuation of our current plan for both health and dental, adopt the Hartford plan for our retirees and maintain the current 10% employee contribution level for fiscal year 2012-2013. The motion passed by a unanimous vote of the Board.

- B. **Theka Engineering Invoice Approval:** Pierce stated last month the Board approved an invoice for Theka Engineering as part of the reconfiguration design and start-up of the combustion turbines. Pierce received Theka's total engineering estimate of \$109,000, (\$30,000 has already been paid). The current invoice for \$11,524.66 was presented.

There was a motion by Laponsie, seconded by Beachum to approve the balance of estimated engineering costs from Theka, \$78,774.98, which will include payment of the current invoice for \$11,524.66. The motion passed by a unanimous vote of the Board.

- C. **2012-2013 Annual Operating and Capital Budgets:** Pierce indicated the Board reviewed the Long Range Financial Projections and approved a draft of the Annual Operating Budget and Capital Expense Plan for fiscal year 2012-2013 at March's meeting. Pierce presented a final detailed budget for approval. He mentioned the final budget was refined based on actual data through April. Pierce stated he was pleased with the outcome of the financial projections based on the trending process being used. After fine tuning many of the budget line items through the process, the revised budget primarily reflects an overall adjustment to revenue and expenses that was down approximately \$100,000 respectively.

There was a motion by Beachum and a second by Laponsie to approve the Operating and Capital Budget for fiscal year 2012-2013. 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 March performance data. Total Electric Requirements were up approximately 8% from the previous year. Peak demand was up from the previous month at 10.794MW and up 5.4% from the previous year.

Pierce then reported the April performance data. April's residential sales were down from the previous month and year in both kWh and sales. Our residential and commercial customer count was down slightly from the previous month. Commercial customer sales were down from the previous month and up from the previous year.

Delinquent accounts were down from the previous month and the previous year. The delinquent amount from March was reduced to \$151 from \$4,834. The balance after shut offs was similar to the previous month and significantly down from the previous year.

The overall cash and investments are similar to the previous month. April marked the end of a quarter and new average billing data was available. Residential usage was down slightly; the average residential bill was up slightly. Commercial usage and average bill is up significantly from the previous year. The aging analysis remains consistent with the previous several months, potential write off is \$6,564 for the current fiscal year.

Pierce reported in the month of April there were 2 outages, effecting 2 customers for a total 95 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 underground and overhead lines during April.

- B. **Income Statement (April 2012):** April was not as good a month as we had hoped for. Pierce stated in April through June we are cleaning things up for year end; therefore have less tendency to make money in those months and April was particularly worse than expected. Revenue was on budget for the month. We were over budget on purchased power

for the month by approximately \$33,000 and over budget year to date by \$125,000. Purchased power adjustments have been made for next year's budget. We are allocating a higher % of expected increases to purchased power to try and minimize being over budget. All other expense categories are in line, most categories are under budget. Total expenses year-to-date are approximately \$62,000 under budget. Our Operating Income for the month of April was one of the first negative months in a long time; we were under budget by about \$13,000. We are still doing very well, however, and are approximately \$120,000 over budget year-to-date. Our Net Income was negative for the month. However, year-to-date Net Income is \$363,000 which is nearly \$112,000 over budget for the year.

Pierce reported that included in the 2012 Capital Expense Summary is an itemized list. We still have over \$255,703 remaining in the year's budget. A good portion of that will be spent by the end of the year. We have a couple invoices to pay as we conclude the river bore project.

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 MPPA/MMEA meetings in Traverse City.

MPPA is in the process of closing on the AMP Ohio project. The final legal work is being reviewed, the process continues moving forward.

We are likely changing gas suppliers for the Kalkaska Combustion Turbine; our Consumers contract runs out in October. We were able to locate a gas provider who can save us approximately \$200,000 a year for the gas needed. There is an initial investment to change the header mechanism which provides the gas to the combustion turbine through a different supply line. The cost will be paid via combustion turbine reserve funds; LLP is approximately a 5% owner, so very little cost will be incurred by us.

The MMEA Holland case, which would challenge the Great Wolf Lodge case back to the Supreme Court, is moving forward. The 7th Circuit Court case in Illinois regarding the FERC transmission is moving

forward. We are also in Michigan Circuit Court for the transmission ITC wants to build in the thumb area. Based on the current need for renewable energy in Michigan, wind energy in the thumb area is estimated at 1,500 MW. ITC wants to build transmission lines to handle 5,000 MW, which is a huge unnecessary expense that would be spread over all utilities in Michigan. We feel ITC, through the MPSC, was allowed to sidestep some of the required approval processes, and MMEA is challenging that.

Several employees attend this year's APPA Lineworker's Rodeo in Cleveland. It was a great event.

The APPA Annual meeting is in Seattle this year, June 16-20, 2012. If there are any Board members interested in going, please let us know so we can begin making arrangements. You can visit [www.publicpower.org](http://www.publicpower.org) for more information on programs being offered.

Greg is not attending this year's Annual meeting. He has already committed to a Smart Grid Summit in San Diego, where expenses are being paid by the conference host.

- **System/Generation Upgrade Progress:** The primary activity completed by the line crews during the month of April was work on underground and overhead lines.

The Ford CT is in the process of being dismantled for shipment. We were able to negotiate the shipping concerns with the lowest bidder to get the cost down to approximately \$180,000. We had a few last minute changes in the floor plan for the placement of the turbines inside Chatham so the concrete work did not get completed during April. This work is expected to happen late May/early June and ready for the Ford CT placement.

It has been determined for sure that the IVEX turbine can be "dual fueled", meaning we can switch back and forth from natural gas to diesel.

- **Pilot Meters:** Greg is participating in a Smart Grid Summit in San Diego in June to determine how other communities are implementing the AMI (automatic metering information) meters.

- **Circuit 208 Extension Across the River:** The borings were completed and the wire is being pulled with final hookups at each end. A short scheduled outage will occur this weekend to energize wires.
- **Biodigestion Update:** Progress is moving forward on necessary feedstock agreements. Litehouse is reviewing the proposals. The final review packet has been submitted to the Planning Commission for review at their May 29<sup>th</sup> meeting.

Greg has received positive feedback from the Germany team. It appears that the site visits have gone well and Arno has been able to provide information/observations to defuse most if not all of the concerns/questions.

Greg stated we were awarded a \$75,000 DEED grant toward improvements at Chatham for the biodigester project.

Pierce shared a copy of a letter from Traverse City Light and Power thanking Lowell Light and Power and Mark Droog for assisting in restoring power to 8,000 of their 11,500 customers who were affected in the winter storm.

Pierce also shared a biodigester article which appeared in the May Rapid Growth Newsletter.

- **Strategic Plan:** The Strategic Planning review is scheduled for the June 14<sup>th</sup> Board meeting.
- **Website:** The new website has been launched. Go to [www.lowell-light.org](http://www.lowell-light.org). There are still a few additions needed.
- **Employee Benefits Renewal:** Discussed in action items.
- **Building Maintenance:** A certified Industrial Hygienist was hired to complete mold sampling of the building. Once the results are in, recommendations will be made.
- **Payables:** Pierce provided the April 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, June 14, 2012.

VIII. BOARD COMMENT:

Beachum gave a brief update on the Germany trip; he felt it was an extremely worthwhile trip seeing the facilities first hand. Beachum was pleased how many employees participated in the Cleveland rodeo, he felt it was a good opportunity for the office staff to see the lineworkers in action as they competed, as well as a great employee bonding trip.

Mayor Hodges reported the City is progressing on their budget, next year they will be starting the process earlier.

Canfield gave kudos to Steve and Greg on the accuracy of the budget; he is pleased with their efforts.

IX. ADJOURNMENT: There was a motion by Beachum and a second by Laponsie to adjourn the regular meeting at 6:55p.m. The motion passed by a unanimous vote of the Board.

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Chairman Canfield

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Date