

**MINUTES**  
**BOARD OF LOWELL LIGHT AND POWER**  
**REGULAR MEETING OF FEBRUARY 14, 2013**

- I. **CALL TO ORDER AND ROLL CALL**: The meeting was called to order at 5:42p.m. by Chairman Canfield. Present were Beachum, Canfield, and Laponsie. There was a motion by Beachum, supported by Laponsie to excuse Cadwallader and Johnston's absence. The motion passed by unanimous vote of the Board. Also present were General Manager Pierce, Electric Distribution Manager Russo, Mayor Hodges and Lowell City Manager Howe.
- II. **APPROVAL OF AGENDA**: Action Item C. Capacity Purchase was added to the agenda. There was a motion by Laponsie, seconded by Beachum to approve the revised agenda, adding Action Item C. The motion passed by unanimous vote of the Board.
- III. **APPROVAL OF MINUTES** (January 10, 2013 Regular Board Meeting & January 10, 2013 Closed Session Meeting). Corrections were made on page 4, deleting the decimal points under Alternative/Renewable Energy Sources (10 cents and 30 cents). There was a motion by Beachum and a second by Laponsie to approve the January 10, 2013 Regular Board meeting minutes with these corrections. The motion passed by a unanimous vote of the Board.
- There was a motion by Beachum and a second by Laponsie to approve the January 10, 2013 Closed Session meeting minutes. The motion passed by a unanimous vote of the Board.
- IV. **PUBLIC COMMENTS** (Items not on the agenda): There was no public comment.
- V. **ACTION ITEMS**:

A. **Electric Installation for Solar CT**:

Pierce stated we are in the final stages of preparing for the Solar combustion turbine for assembly and start up. The steel and duct work contractor has received final construction permits from Cascade Township. The major components construction of the electrical portion was approved by the Board and ordered last fall. Newkirk is ready to begin construction of the electrical components. Pierce outlined additional expenses of \$166,000 necessary to

complete the engineering, construction management, and materials necessary to complete installation of the Solar turbine.

A motion was made by Beachum, supported by Laponsie to approve the expense of \$166,000 for engineering construction management, and necessary materials needed to complete installation of the Solar turbine; and amend the 2012-2013 Capital Expense Plan to reflect the projected changes. The motion passed by a unanimous vote of the Board.

**B. Annual Signature Approvals:**

Each year, Huntington, Chase and Fifth Third bank accounts require approval of authorized signatures. All LLP checks require two authorized signatures.

There was a motion by Beachum and a second by Laponsie to approve the current list of authorized bank signatures: Perry Beachum, Greg Canfield, Andy Johnston, Steve Donkersloot, Greg Pierce and Tom Russo. The motion passed by a unanimous vote of the Board.

**C. 2013-2014 Capacity Purchase:**

Every year we have to be accountable for Energy we use and purchase on the grid. If your total ownership does not add up to your need, you are required to purchase capacity in the market in order to buy electricity without a penalty. One of the benefits of our CT is, after this year, we will have enough generation of our own, and we won't have to buy capacity. Last year, we bought about 3MW of capacity at 33 cents a KW month, this year, the price is expected to be 40 cents and we have to purchase 3.9MW of capacity. MPPA is purchasing a block of 40MW of capacity sometime in the next two weeks. As a group, they can buy a large volume of capacity at a reduced rate to offer to members.

There was a motion by Beachum, seconded by Laponsie to approve the Capacity Purchase through MPPA for the next 12 months, not to exceed \$1 per KW month. The motion passed by a unanimous vote of the Board.

## SPART Update:

Greg Nothrup and Pam Landis gave updates on the Biodigester. Pam reviewed why Biogas was initially selected, the technology, the process and where we are currently in the process. Greg gave updates on the process, feedstock contracts, purchased power agreement, construction management contract and investor relations. Rockford Construction is scheduled to begin June 1<sup>st</sup>, with a 7-month completion date. Discussion occurred on coordinating with the Trails Association as they begin the pipeline process.

## **IV. INFORMATIONAL ITEMS:**

**A. Performance Data:** Pierce reported on the two additional items for the December performance data. Total electric requirements were 5,850,678 kwh, which is up slightly from the previous month, up 1.3% from the previous year and peak demand was up from the previous year.

January was a good month. Overall revenue is up 7.3% from the previous year. Total residential customer count is up; commercial customer count is up 1.5% from the previous year.

Delinquent accounts are up slightly from the previous month and the previous year. Balance after shutoffs are down slightly from the previous month and previous year. The delinquent amount still owing from the previous month is significantly down, \$148. The overall cash and investments are holding steady.

January is one of the quarter ending months, where average bills and kwhs are calculated. The average residential and commercial customer bill was up slightly, as was the average kwhs.

The aging analysis is consistent with the past couple of months.

**B. Income Statement (January 2013):** Pierce reported January was a good revenue month. Our operating revenue was slightly over budget, which brings us very close to year-to-date. We are .22% off budget 7 months through the year. All major categories, except Purchased Power, are either at or under budget. Purchased Power was under budget for the month and we are approximately 3% over budget year-to-date.

Total Operating income was \$137,000 for the month of January. Our Net Income was approximately \$103,000 for the month, both over budget.

Pierce stated January Capital Expenses are on track. Remaining budget for the year is \$322,000.

There were four outages in January. Fifteen customers were out for a total of 975 minutes. Two outages were due to trees down, one due to a burnt jumper cable and one due to a squirrel. Our outage statistics still indicate we are available 99.98% of the time.

The majority of the crew's hours were spent on maintenance of overhead lines, generation and safety training.

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

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

MPPA: Pierce gave an update on our 2012 generation. The Campbell facility performed as anticipated. Belle River facility did not perform as well as expected, the capacity level was down to its all time low, 68%. This adds to our Purchased Power cost, since we are still paying our ownership share for the outstanding bonds to pay for that facility and we have to buy power from the grid to cover that loss. The project we bought into in Ohio did better than expected, the capacity was up and fuel costs were down, which helps offset Belle River's poor performance.

We received positive benefit from the Kalkaska Combustion Turbine, which operated this year more than any other time in its 7-year history. We filed a complaint with the MPSC regarding billing errors we felt occurred over the last 10 years. The potential for the group of 5 owners could be up to \$1.6M.

MMEA gave a presentation in Lansing during the Governor's first review on the State of Energy in Michigan, regarding our (Muni's) perspective of Michigan's energy future.

APPA Legislative Rally is March 11-14. Pierce & Johnston will be attending. Chairman Canfield along with three employees will be attending the 13<sup>th</sup> Annual Lineworker's Rodeo and APPA's Engineering

and Operations Technical Conference in March. Pierce announced; we were awarded the #1 Safety Award for our Utility class in the country. Pierce congratulated Tom and Ron on their efforts. APPA's Annual meeting is scheduled June 14-19 in Nashville, any Board member interested in attending, please contact Greg or Sharon.

- **System/Generation Upgrade Progress:** Pierce gave an update on the installation progress, we are moving forward with the mechanical and electrical part of the process. A compressor has been located to rent which will boost the gas pressure necessary to run the Solar turbine for phase one. By the time we expect to have the Rolls Royce turbine in service, we should have permanent long term gas supply in place.
- **Lowell Transmission Line:** We are still in the discussions with ITC. They seem interested; no final determination has been made at this point.
- **After Holiday Party:** Pierce thanked the City for hosting the after holiday party at the Lowell Museum. A great time was had by all. He thanked Perry for facilitating the white elephant exchange.
- **Energy Efficiency:** Pierce reported on the 2012 State Energy Efficiency/Energy Optimization Program. Pierce was pleased with the excellent response from our customers. Our Utility goal was to save 482,813 kilowatt hours through various residential and commercial programs, incentives and rebates. We exceeded our goal for the fourth year in a row with a total savings of 503,097 kwh. Our cost budget to accomplish our goal was projected at \$42,235; we managed to exceed our goal at a cost of \$22,007, a significant savings. Over the past 4 years our customers have saved 1.75M kwh, this is equivalent to powering 210 homes in our community (based on our average residential customer usage), or the amount of gasoline (138, 816 gallons) fueling and creating CO2 emissions from 258 passenger cars for one year.

Pierce congratulated Sharon for coordinating programs, and working with customers and vendors to exceed our 2012 goals. As the program continues through 2015, it will become more difficult to find additional ways to meet these savings.

- **Budgeting 2013-2014:** We are obligated to get a draft budget to the City after our March board meeting. Last year the way we approached the

budget worked well and we have fine tuned the process for this year. Last year budget discussions began by looking at a big picture overview of the budget using our Long Range Financial planning model as a guideline. Staff worked over the following month to develop a budget detail that drilled down from the model, incorporated the changes and variables we expected to occur and reported a proposed detailed budget back to the Board in March. This process produced a financially sound and meaningful budget.

Pierce was pleased to detail efforts Steve has put into fine tuning the process to make budgeting smoother and more meaningful. Steve has rewritten the Long Range Financial model to be what I would call a Financial Manager's Dream. The new model is now directly tied to our budgeting system, our monthly income statement, will be used in rate analysis and design, and ultimately ties back to our annual Audit document. Pierce thanked Steve for all his hard work.

Pierce reviewed details on the financial projections of 2013 & 2014.

Pierce provided the January 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, March 14th.

**VIII. BOARD COMMENT:**

Beachum stated he was pleased with the newsletter that went out to customers in their bill. Beachum mention he is personally supporting the Lowell School sinking bond fund and encouraged others to vote.

Mayor Hodges announced Rev. Chris Schaub is replacing Jim Valentine on the City Council. City Manager Howe is going through Strategic Planning steps. The Chamber dinner honoring various businesses as well as Person of the Year will be held next Thursday.

Chairman Canfield echoed Beachum's comment to support Lowell Schools sinking bond fund.

There was a motion by Beachum and a second by Laponsie to go into closed session for a Contract Negotiations update at 7:16 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 7:42 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 Laponsie and a second by Beachum to adjourn the regular meeting at 7:43 p.m. The motion passed by a unanimous vote of the Board.

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Chairman Canfield

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Date