

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

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order at 5:35p.m. by Chairman Canfield. Present were Beachum, Canfield, Johnston and Laponsie. There was a motion by Laponsie, supported by Beachum to excuse Cadwallader's absence. The motion passed by unanimous vote of the Board. Cadwallader joined the meeting at 5:54 p.m. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris, Mayor Hodges and Lowell City Manager Howe.
- II. **APPROVAL OF AGENDA:** There was a motion by Laponsie, seconded by Johnston to approve the agenda as presented. The motion passed by unanimous vote of the Board.
- III. **APPROVAL OF MINUTES** (February 14, 2013 Regular Board Meeting & February 14, 2013 Closed Session Meeting). There was a motion by Beachum and a second by Laponsie to approve the February 14, 2013 Regular Board meeting minutes as presented. The motion passed by a unanimous vote of the Board.

There was a motion by Beachum and a second by Laponsie to approve the February 14, 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. **Draft 2014-2014 Annual Operating Budget:**

Last month staff presented an updated Long Range Financial Plan which focused on the current year's budget and a big picture preview of how the next fiscal year, 2013-2014, might look. The projection was based on how the current fiscal year's budget is looking after seven months of actual data and what our projections are for the next year. We have taken those projections and developed a detailed draft operating budget for 2013-2014.

We are not expecting any major financial changes that would have a huge impact on the budget. Pierce mention we will be taking on additional load from King Milling's new building. Pierce does not anticipate any major staffing changes or new requirements during the next fiscal year. We have sufficient staff to complete our workload and we will be focusing on completion of our current projects. Pierce anticipates additional training necessary as we begin to get the biodigester up and running. We anticipate the Solar combustion turbine to be up and running as well as the US Turbine (Rolls Royce) during the next fiscal year. Pierce anticipates installation of additional digital meters as we move forward with that project. Ultimately our goal is to have the entire system equipped with digital meters and offer a "Time of Use" rate to our customers.

Pierce reviewed each category of the 2013-2014 Operating Budget. Board discussion took place.

A motion was made by Johnston, supported by Laponsie to approve the Lowell Light and Power 2013-2014 draft operating budget. The motion passed by a unanimous vote of the Board.

#### **IV. INFORMATIONAL ITEMS:**

**A. Performance Data:** Pierce reported on the two additional items for the January performance data. Total electric requirements were 5,858,380 kwh, which is up slightly from the previous month and from the previous year. Peak demand was down slightly from the previous year.

February was a good month. Pierce stated overall revenue was up due to delayed meter reads, which resulted in a longer than normal billing cycle.

Delinquent accounts are consistent with January and up slightly from the previous year. Pierce believes this is reflective of January and February being high billing months. Balance after shutoffs are up from the previous month and previous year. The delinquent amount still owing from the previous month is significantly down, \$134. The overall cash and investments are holding steady.

The aging analysis is up slightly but staying consistent with the past couple of months.

**B. Income Statement (February 2013):** Pierce reported February was a good revenue month. Our operating revenue was over budget by \$30,000, which brings us over budget year to date. The majority of expense categories are either at or under budget. This was one of the few months Purchased Power has been under budget for the month (by \$10,000). Distribution is the only category which was over budget by any significant amount this month and was due to Combustion Turbine work, safety training, line change-outs and line maintenance. In total our Operating Expenses are less than one tenth of a percent off budget year-to-date.

Total Operating income was \$141,000 for the month of February and we are on budget year-to-date. Pierce pointed out an interest expense of \$46,942. Donkersloot explained, in the past we have amortized this expense each month over the life of the bond (25 years). A new ruling went into effect that those expenses must be taken in the year that the debit occurred. Our Net Income was approximately \$62,000 for the month, which brings us very close to budget year-to-date.

Pierce stated February Capital Expenses are on track. Remaining budget for the year is \$407,666.45.

There were three outages in February. Three customers were out for a total of 180 minutes. Two outages were due to trees down, one due to an overhead equipment failure. Our outage statistics still indicate we are available 99.98% of the time.

The majority of the crew's hours were spent on working on the Combustion Turbine and warehouse maintenance; getting the facility ready.

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

- **MPPA/MMEA Updates:**

MMEA: Pierce reported; he and Andy traveled to Washington last week for the Legislative Rally. Discussions were encouraging regarding the cost allocations by MISO for the "Transmission super highway" running from the Dakotas to the East Coast with no potential benefit for Michigan. It has been a challenge getting a resolution supported by APPA members since many of those members also have transmission and reap the benefits of this project. A resolution passed by APPA that showed support

for cost allocation by benefit. This was approved unanimously by the voting members.

A judge's preliminary review of the Kalkaska Combustion Turbine gas supply cost overages was not favorable. MPPA will file an exceptions brief with the MPSC and request a full hearing with the Commission. There were major cost overruns on the installation of new gas supply equipment to the Kalkaska CT project from ANR gas. ANR has offered to absorb the costs if MPA agrees to extend the length of supply contract from 15 to 20 years. Pierce believes MPPA will accept that offer.

APPA: Lowell Light and Power received the APPA 2012 first place Safety Award for utilities of our size and a group from LLP going to the Lineworkers Rodeo/Engineering and Technical Conference will be receiving that award.

- **System/Generation Upgrade Progress:** Pierce gave an update on the installation progress. The duct/steel work contractors continue their activities at Chatham and will begin the actual duct assembly in the next week or two. Bids are being secured for the concrete block divider wall and the electrical work will begin shortly. A more in depth inspection was completed by Solar this week and beyond some areas of corrosion and sight wear, the recommendation was "to conduct a thorough detergent wash, commission, start, and operate as required." A Board tour will occur following the meeting to see the progress.
- **Biodigestion Update:** SPART received the final contact signatures from Litehouse and signed an exclusivity agreement with NSU, the potential investor from New Jersey. Board members received more information on NSU. The appraisal for the east portion of the Chatham facility was completed and came back in the \$340,000 range. This final information along with the details from Litehouse contract have been placed in SPART's financial projection model and we are close to having a final proposal for the Purchased Power Agreement (PPA).
- **Lowell Transmission Line:** Pierce met with ITC. They are still evaluating the possibilities. Although we are a small opportunity for ITC, we will keep moving forward. The FERC review of our potential inclusion in the definition of the Bulk Electric System (BES), for the purposes of NERC compliance reporting, seems remote so we have some time to work with ITC.

- **Community Service**: One of the items from our Strategic Plan this year was for Lowell Light and Power, and our employees, to become more involved in community activities. Over the last couple months the employees have been brainstorming and looking at opportunities that might fit for us. Two projects have emerged that we believe will meet the objectives of the group. The first is FROM's Annual Food Fight. LLP will be a sponsor this year and therefore be a designated drop off location. We will also be taking a leadership role in this event and be responsible for the pickup and transport of all donations from the drop off points, twice a week, for the duration of the event (6 weeks).

The second activity that has emerged as a possibility is to sponsor a Lowell Flat River clean-up day. The idea would be to sponsor a "walk the river" day where cleanup activities would take place along both shores of the Flat River inside the City limits. LLP would identify and stage areas for clean-up, provide garbage bags and possibly "team leaders", invite other community groups and merchants to participate, possibly have some river related activities that day and a cookout at the end of the event for all participants. Board members made additional suggestions for the event adding appliance recycling/dumpster options for the community to promote an overall Lowell Clean-up Day.

- **Payables**: Pierce presented February payables.

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 11, 2013.

### VIII. **BOARD COMMENT**:

Johnston stated it was great to represent LLP at the Legislative Rally in Washington.

Laponsie mentioned how pleased she is after reviewing articles that other utilities around the country are spending 43% more than in 2002 and Lowell's increase has only been 29%. She highlighted where the article indicates;

“despite the rising costs, reliability is going down”, and she is pleased we are doing things more cost efficient, while maintaining excellent reliability.

Beachum stated he is pleased to see the neon sign is fixed on the LLP building. He is glad to see LLP is involved in the Expo. Laugh Fest begins this Sunday at the Lowell Performing Arts Center; underwritten by King Milling and the Lowell Area Community Fund; all proceeds from the event will stay in the community, benefitting Gilda’s Club. Defibrillators have been distributed in the community. Perry would like to see defibrillators in all our vehicles; this would help get us to the next RP3 level. Perry encouraged the community to attend our Board meetings to know what is going on. He stated there was an article purchased in the Ledger criticizing our administration, staff, and the negotiation process. That particular person has never attended a Board meeting, and does not understand contract negotiations are done privately and take time.

City Manager Howe was pleased to announce the City Council has adopted a Strategic Plan; they have a great plan and great vision.

Mayor Hodges various Boards and Commissions have been working on reviewing, tweaking and updating City ordinances.

Chairman Canfield congratulated the City on the adoption of the Strategic Plan. He thanked Andy for representing LLP on a national level. Greg also stated he is pleased the City bills for all their properties are now coming in one envelope he would like to have LLP do the same.

There was a motion by Beachum and a second by Laponsie to go into closed session for a Contract Negotiations update at 6:58 p.m. The motion passed by a unanimous vote of the Board.

There was a motion by Laponsie seconded by Beachum to come out of the closed session at 7:00 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 7:01 p.m. The motion passed by a unanimous vote of the Board.

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Chairman Canfield

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Date