

**MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF NOVEMBER 8, 2012**

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order at 5:36 p.m. by Chairman Canfield. Present were Beachum, Cadwallader and Laponsie. There was a motion by Beachum, seconded by Laponsie to excuse Johnston. The motion passed by a unanimous vote of the Board. Also present were General Manager Pierce, Chief Accountant Donkersloot, Utility Services Coordinator Morris and Lowell City Manager Howe.

- II. **APPROVAL OF AGENDA:** There was a motion by Laponsie, seconded by Cadwallader to approve the agenda as presented. The motion passed by unanimous vote of the Board.

- III. **APPROVAL OF MINUTES** (October 11 2012 Regular Board Meeting & October 11, 2012 Closed Session Meeting). There was a motion by Beachum and a second by Laponsie to approve the October 11, 2012 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 October 11, 2012 Closed Session meeting minutes. The motion passed by a unanimous vote of the Board.

- IV. **PUBLIC COMMENTS** (Items not on the agenda): Jim Hall (724 N. Monroe) commented how nice it was that Lowell Light & Power sent three workers to the East Coast to help restore power.

- V. **ACTION ITEMS:**
 - A. **Combustion Turbine:** Pierce stated we received three bids for completing the duct and steel work necessary to reconfigure the combustion turbines. Dan Girvan, our mechanical engineer, recommended we accept the low bid from Shoreline Metal Fabricators of \$198,475. The cost was budgeted for and will be split evenly between the two turbine projects identified in our capital expense plan. However, we are concentrating on getting the Solar turbine up and running first. There was a motion by Beachum, seconded by Laponsie to accept the bid from Shoreline Metal Fabricators of \$198,475. The motion passed by a unanimous vote of the Board.

B. MERS 2013 Retiree COL: Pierce reported over the past several years LLP awarded a 2% cost of living increase to its retirees. This year there is a significant increase; nearly twenty five percent more than we paid in 2012. The amount required in 2013 for the 2% COL adjustment would be approximately \$40,000, compared to last year's \$31,000.

Pierce stated MERS has a "flexible" version of Benefit E which allows the employer to select a percentage annually to award for the retiree COLA. Pierce believes this flexible plan is the option we should move toward for the future. MERS has indicated they can do a second valuation on a different percentage. The Board agreed they would like to see a second valuation based on a 1.5% COL. The 1.5% flexible valuation will be available for approval at the December Board meeting.

IV. INFORMATIONAL ITEMS:

A. Performance Data: Pierce reported on the two final components for the September performance data. Total electric requirements were 5,786,059 kwh which is up 6.4% from the previous year and peak demand was up slightly, 2.4% from the previous year.

October revenue is up 7% from the previous year. Total residential customer count is up, commercial customer count is holding steady.

Delinquent accounts are down from the previous month and the previous year. The balance after shut offs is down significantly from the previous month and from a year ago. The delinquent amount still owing from September is up from the previous month and down significantly from the previous year. The overall cash and investments are holding steady.

October is the end of a three month cycle where we calculate average customer bills. The average residential bill was \$81, the same as last October. The average commercial bill is slightly higher.

The aging analysis revealed overall lower outstanding totals than the past couple of months.

B. Income Statement (October 2012): Pierce reported we are under budget in revenue for the month. Purchased Power expenses are over budget. Pierce described our Purchased Power costs don't always coincide with our usage

based on how our Purchased Power is billed from MPPA. Other expenses are all in line.

Total Operating income was only \$3,000 for the month of October. We had a Net Loss of \$40,000 for the month of October. This is the first month where we have seen a Net Loss since February and we are still in good shape for meeting our Net Income year-to-date goal.

Pierce stated Capital Expenses are on track for the month of October. Some changes were made on the detailed Capital Budget report. Money was shifted to more accurately reflect where the dollars are actually being spent. Originally more money was allocated to our meter upgrades. However, our primary need is to get the Solar Combustion Turbine up and running. Also our \$75,000 DEED Grant was added to the plan for toward the Biodigestion Project. The majority of the crew's work was spent on finishing up tree trimming before bad weather hits and getting the CT's up and running. There was one outage in October. This was a significant outage affecting 148 customers. Customers were out of power for several hours. The outage was caused by a semi that hit our wires and took three poles down. Portland Light and Power assisted in helping set the poles to get our customers back in service as quickly as possible. Our outage statistics still indicate we are available 99.98% of the time.

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

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

MPPA: Pierce reported discussions continue on the environmental upgrades needed for Campbell III to meet the current EPA requirements. Based on the schedule received by Consumers, which was given to MPPA regarding their ownership portion, the Campbell III facility will require about \$25M over the next 2-3 years to keep that coal facility in compliance. This will require MPPA to take out a bond, and we will be a small portion of that (roughly 4.5%). MPPA's bond will be an interest only bond until 2016 after which our bond payment would stay approximately the same as it is currently, until the bond is paid off (roughly 4.5 years). It does not appear we will have to do any additional bonding on the Belle River facility.

MMEA: Pierce reported MMEA was encouraged that Proposal 3 was defeated. The transmission case in the thumb against ITC was heard in Michigan Circuit Court. The court agreed ITC began the process of building a major transmission line without the proper approvals. Pierce stated another case is currently in the 7th Circuit Court where a large transmission line is being built from the Dakotas to bring wind power to the East coast. Michigan would pay 20% (spread over Michigan customers) of a possible \$4 billion project and receive no benefit. A decision is expected in the next month.

- **System/Generation Upgrade Progress:** Pierce reported we still do not have anything definitive from the MDEQ regarding our air permit. We are ready to move forward once we receive it.

Two quotes have been received to move the boiler from Rawsonville to Chatham and each present a risk. The lower quote of \$15,580 includes placing the boiler on its side, properly shoring it to minimize potential damage and truck it via best route. The risk involved in this option is there could be internal damage to the boiler during shipment. Although all precautions would be taken to minimize that risk, there is no guarantee that damage would not occur during transport.

The second option is moving the boiler upright by rail or truck. This cost would be \$45,000-\$50,000, a significant difference. The boiler would have minimal or no risk involved in transporting this way.

Pierce discussed options and quotes with the Board and stated a new boiler would cost about \$2M.

After significant Board discussion, there was a motion by Beachum, seconded by Laponsie to cut a hole in the boiler to see what it would take to properly shore it and transport it on its side. The motion passed by a unanimous vote of the Board.

Pierce stated he is continuing discussions regarding gas supply and hopes to have realistic options presented in the next few days.

- **Biodigestion Update:** SPART is still working to finalize an agreement with Litehouse. Dick Wendt has the Purchase Power documents necessary to start formulating a property purchase document. We have received an updated survey on the property and a draft service agreement

for operating the facility for Spart. The pace seems to be picking up on identifying deliverables.

- **Strategic Plan:** Pierce stated he is hoping to get the Board members prioritization list (presented at last month's meeting) along with any suggestions, comments or additions. Staff is still working on cross referencing strategies and goals/objectives. Pierce is planning on attending an APPA workshop in January that helps managers identify, formulate and implement meaningful measurement metrics for strategic plan goals and objectives.
- **Lowell Transmission Line:** No new development.
- **Succession Plan:** Pierce reviewed step by step the succession plan (handed out at the October Board meeting).
- **Audit 2012:** Pierce stated our annual audit was completed earlier this week. Pierce gave kudos to Steve and his staff for a great job.
- **Open House 2012:** Despite the rain and cold weather, turnout was good. Pierce gave a special thanks to the Board members and staff who helped to make this event a success.
- **Bond Refinancing:** Our bond refinancing took place on October 24th. The refinancing will mean a savings of roughly \$674,000 over the term of the bonds. We were extremely pleased with the (A) rating they received which is on the high side for a municipal utility. Again, great job by staff.

Pierce reviewed a 12-month rolling average report from 2005-2012. This report gives a snapshot of kwh usage high and low points.

- **Payables:** Pierce provided the October 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, December 13, 2012.

VIII. BOARD COMMENT:

Beachum thanked Sharon Morris and her group of workers for participating in FROM's Neighbor to Neighbor community project. Lowell Light and Power was represented and provided energy efficiency throughout the community.

Beachum gave a special thank you to Tom Russo, Mark Droog and Doug Barnes for assisting in restoring power in the East coast.

Finally Beachum gave special kudos to management for allowing the employees' participation in these events.

Beachum commented he was sorry to see Blue Ribbon Feed go out of business but congratulated Simon and Kara Kelly of Starbard Farms who started a business to help alleviate the need for livestock feed.

Beachum stated he believes with the negotiations' going on there have been some personal attacks on some of our leadership. Perry mentioned that behavior is inappropriate and it does not benefit anyone in this negotiation process.

Chairman Canfield echoed Beachum's comments on thanking those who gave up time with their families to help out on the East coast.

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 Beachum seconded by Laponsie to come out of the closed session at 7:25 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 7:26 p.m. The motion passed by a unanimous vote of the Board.

Chairman Canfield

Date