

MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF OCTOBER 11, 2012

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order at 5:32 p.m. by Vice Chairman Johnston. Present were Beachum, Cadwallader and Johnston. There was a motion by Beachum, seconded by Cadwallader to excuse Canfield (expected to arrive late). The motion passed by a unanimous vote of the Board. Lapsosie arrived at 5:37 p.m., Chairman Canfield arrived at 6:07 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 Beachum, seconded by Cadwallader to approve the agenda as presented. The motion passed by unanimous vote of the Board.
- III. **APPROVAL OF MINUTES** (September 13, 2012 Regular Board Meeting, August 9, 2012 & September 13, 2012 Closed Session, September 18, 2012 Special Meeting). There was a motion by Beachum and a second by Cadwallader to approve the September 13, 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 Cadwallader to approve the August 9, 2012 Closed Session meeting minutes. The motion passed by a unanimous vote of the Board. There was a motion by Beachum, supported by Cadwallader to approve the September 13, 2012 Closed Session meeting minutes. The motion passed by a unanimous vote of the Board. There was a motion by Beachum and a second by Cadwallader to approve the September 18, 2012 Special 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. **Chatham Building Leasing:** Pierce discussed pros and cons of both leasing and selling the Chatham building to Spart for the Board's review. Pierce stated he believes selling the eastern portion of the building would be the

cleanest way to achieve the goal. SPART having ownership of the property is an advantage for their financing as well as functionally for the details of planning, construction, and startup. Ultimately, the sale would require City Council approval. Pierce stated leasing to Spart would be a little more cumbersome and would require additional language to clarify specifics on ownership, improvements, construction, easements, boundaries and exterior upgrades as well as how to handle the property if the projects fails. The lease would also require City Council approval.

The Board discussed the pro's and con's of property sale vs. property leasing. Recognizing that either option would require action of the Board and Council, the Board agreed to have Pierce proceed with potential sale documents. Johnston stated it would be helpful to have an internal timeline on the project.

IV. INFORMATIONAL ITEMS:

A. Performance Data: Pierce reported on the two final components for the August performance data. Total electric requirements of 6,745,180 which is up 6.7% from the previous year and peak demand 13.923, up 2.4% from the previous year.

Pierce reported September was a good month; our revenue is up nearly 6% from the previous year.

The delinquent accounts are up from the previous month and the previous year. The balance after shut offs is also up significantly from the previous month and up from a year ago. Pierce believes this due to two consecutive high billing months. The delinquent amount still owing from August was down significantly from the previous month (96.5%) and from the previous year.

The overall cash and investments are holding steady, almost the same as the previous month.

The aging analysis reveals higher totals than the past couple of months. Pierce noted this is probably due to the increase in usage and higher monthly bills during the warm weather.

B. Income Statement (September 2012): Pierce stated it was a good revenue month. The end of the 1st quarter, we are under budget by only 1% which

is great. Expenses are all on or under budget; with the exception of Purchased Power expenses which were over budget this month by \$10,000. The good news is the 1st quarter Purchased Power is only over budget by 4.6%, as opposed to 14% last year at this time.

Total Operating expenses for the month of September are on track as well as year-to-date. Although our Operating Income was slightly less than projected, we had a good Operating Income for the month of September (\$97,063.79). Our Net Income was very close to budget for the month and slightly under budget year-to-date. Pierce stated when the budgeting was done we anticipated our bond refinancing would be completed in August. The refinancing is scheduled for October.

Pierce stated Capital Expenses for the month of September are all in good shape.

Pierce reported there were three outages in September. A total of 288 customers were out. Our outage statistics indicates we are available 99.98% of the time. The majority of the crew's work was spent on tree trimming.

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

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

MPPA: Pierce reported he attended the annual administrative review with Consumers Energy for the Campbell III facility. The Campbell facility is one of the coal plants Consumers is keeping in their fleet and the Phase III portion (where we have our entitlement) is one of the best running units. Consumers is making environmental upgrades to meet the coming EPA Clean Air guidelines. Our debt service on Campbell III is over January 1, 2016 and it is our hope that environmental requirements do not escalate substantially before that debt service expires. MPPA is looking into a \$25 million dollar bond for its portion of these environmental upgrades. This will be set up as an 'interest only' payment until 2016 and will extend our debt service an additional three or four years.

MMEA: Pierce reported the MMEA Conference was a huge success. He thanked Board members and staff for their attendance and

participation. This was the first MMEA Conference with this type of format; educational breakout sessions the first day and general sessions the second day. We had many positive comments and encouraging reviews regarding the community of Lowell.

- **System/Generation Upgrade Progress:** Pierce reported it appears things are moving along with the MDEQ air permit. The mechanical and duct work for the Combustion Turbines is out for bid and we plan to begin reassembly of the two units into their new configuration this fall. We are concentrating on the solar turbine first to have it up and running by spring.

Our generators in the main building on Broadway have been fully decommissioned from the system. We are still looking for a home for those generators.

We are continuing to work on the transport of the boiler from the Ford Rawsonville plant and expect it to be here in the next few weeks.

Pierce reported on his second meeting with a potential gas provider for our turbines. They are confident they can supply our needs and are going to provide a proposal that lays out several options for our review.

- **Biodigestion Update:** SPART is still working to finalize an agreement with Litehouse. Their signage and landscape plan was approved by the Planning Commission on September 24th. Final agreement documents should be surfacing over the next few weeks.
- **Strategic Plan:** Pierce reviewed details of a draft prepared with the staff and Board member recommendations. The staff has been working on feasibility and timetables for action items to meet those Strategies/Goals suggested by the Board. Pierce stated he will work on the strategy column and would like the Board to work on the priority column.
- **Building Maintenance:** Pierce stated the restoration of the Broadway St. building from its mold issue is finished. All affected areas have been renovated and an “all clear” from the hygienist was received. All of the exterior work (under warranty) has been completed.

- **Lowell Transmission Line:** No new development.
 - **RP3 Designation:** Pierce reported the application to APPA for the next round of RP3 awards is submitted. We are hoping not only to be selected but raise our designation to the next level. One of the areas where we were able to upgrade this year is our submission of a Succession Plan, which the Board had previously asked us to develop as an action item in our Strategic Plan.
 - **Harvest Festival/Open House:** Pierce reminded the Board members of our open house Saturday, October 13th from 11-2.
 - **Electronic Meters:** Pierce reported we will be changing out our Elster meters that were put in about a year ago. Elster had a batch of malfunctioning meters and ours were part of that batch. Elster agreed to replace all our meters for us to reinstall this fall.
 - **Payables:** Pierce provided the September 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, November 8th, 2012.

VIII. **BOARD COMMENT:**

Mayor Hodges congratulated LLP staff for a successful MMEA conference. He was proud to be a part of such a well organized conference.

The first Community Café was held last night, while the attendance was light, the quality was great. Mayor Hodges encouraged everyone to attend at least one; the next Community Cafés will meet October 23rd & 25th. These will be held at the High School Freshman Center for those interested in attending.

The Mayor congratulated the Historical Museum for their unveiling of the Strand Theatre presentation; this will be going on for the next several months.

Chairman Canfield commented he was happy to hear the building is complete and gave kudos to Greg Pierce for uncovering the building warranty. He mentioned how impressive the MMEA conference was; the Board breakout sessions were informative and he was pleased to hear LLP is on the cutting edge of financials, strategic planning and many other areas.

Vice Chairman Johnston echoed Canfield's comments; he mentioned some of his colleagues attended the conference and had positive comments. Johnston stated that election yard signs for Proposal 3 are available next week for those who would like them.

There was a motion by Beachum and a second by Laponsie to go into closed session for a Contract Negotiations update at 6:34 p.m. The motion passed by a unanimous vote of the Board.

There was a motion by Beachum seconded by Canfield to come out of the closed session at 7:23 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 Cadwallader to adjourn the regular meeting at 7:24 p.m. The motion passed by a unanimous vote of the Board.

Chairman Canfield

Date