

MINUTES
BOARD OF LIGHT AND POWER
REGULAR MEETING OF December 3, 2009

- I. Call to Order and Roll Call:** The meeting was called to order by Board Chairman Canfield at 5:30 p.m. Present were Hall, Canfield, Beachum and Valentine. Beachum made a motion to excuse Johnston's late arrival; it was supported by Hall and passed unanimously by the Board. Johnston arrived at 6:45. Also present were General Manager Pierce, Administrative Manager Sawka, Utility Foreman Russo and Mayor Hodges.
- II. Approval of Agenda:** Beachum made a motion to approve the Agenda for the December 3, 2009 LLP Board Meeting. The motion was supported by Valentine and was passed by unanimous vote of the Board.
- III. Minutes of November 4, 2009:** Hall commented on a line on page 4, the third line from the bottom of the page. The \$500 apiece for the LED bulb seemed high; Pierce will change the LED bulb wording to the LED fixture. Valentine moved to make a motion to accept the November 4, 2009 with the correction. The motion was supported by Hall. The motion passed by unanimous vote.
- IV. Public Comment (items not on the agenda):** There was no public present and no public comment.
- V. Action Items**
- A. **Benefits Renewal:** Beachum requested that this item be held for discussion until Johnston arrived. Johnston arrived at 6:45 and the discussion began. Pierce said last month the Board reviewed the increase of 7.11% in health insurance for the employees. The piece for the retirees was not available last month. Pierce said the retirees increase was only 6%. The total increase for LLP's portion amounts to 6.67% or \$8,239. The other question that was asked, was what was the increase for health insurance last July for the City? Pierce said the City had a 12% increase proposed with their plan at Priority Health. The City mitigated all of that by increasing the out of pocket costs for co-pays and deductibles. Beachum felt that LLP did their due diligence by looking at the packages and going with the Priority Health by Choice Plan. This mitigated increases last year as well as selecting a dental plan with reduced premiums. Valentine asked if this plan could be extended to a longer renewal. Pierce said that an eighteen month renewal had been requested and Priority Health indicated they only grant annual renewals. A motion was made by Beachum to continue with the Health by Choice renewal as presented. Johnston seconded and the motion was passed unanimously by the Board. Pierce further indicated that LLP will get on the

same time schedule as the City for benefit renewals in June of 2010 and will go to Priority looking for a single package for both entities.

The second part of the benefits discussion had to do with giving the retirees the annual MERS COL increase. On January 1, for about 15 years, the retirees have received a COL increase. In July 2009 MERS changed the qualifying requirement of being a 60% funded Plan to being an 80% funded Plan. Neither LLP nor the City qualifies as 80% funded. LLP has nine retirees on the books at this time. In order to be funded to the 80% level with MERS, it would take approximately \$81,000. Beachum asked what the amount would be if LLP wrote the check for the 2% increase. MERS figures the cost of the additional 2% is around \$15,000 to \$18,000 for a single year over the life of the benefit. LLP is on a track now whereby it would be 100% funded in 28 years with no unexpected changes to the plan. After much discussion by the Board it was decided to get LLP up to the 80% funded level by contributing the \$81,000 to MERS. Valentine motioned to make the one time contribution of \$81,000 to fund the 80%. Johnston supported the motion and the motion was passed by a unanimous vote of the Board. Valentine moved to authorize a 2% COL for the retirees and LLP would pay for the cost of the increase with its regular MERS payments distributed over the year. Hall supported the motion. The motion to approve the COL and payment over the course of the year was approved unanimously by the Board.

VI. Informational Items:

A. Performance Data: The LLP performance data for October is similar to the last several months. This is the first month in a number of months, however, that the Electric Requirements are consistent with a year ago. This is also the first month that the total electric requirements are not down significantly. Pierce hopes that this is a sign that we are hitting the bottom of the trend. Since 2005, our total requirements have been dropping and are down a total of 10.9%. The year 2005 was the last time the utility showed a growth in its electric requirement. Pierce believes this is the impact the economy has had on Lowell Light and Power. For 2009, 10 months year to date, the Electric Requirement is down 5.4%. Sales (kWh) are still down from a year ago for both residential and commercial as are sales dollars. It is hard to tell if this is due to the economy or that customers are trying to be more energy efficient, (which is what LLP is promoting for their customers) or a combination of the two. After the first of the year, LLP will make an attempt to estimate how the CFL bulb give away and the commercial incentives have affected the decrease in Electric Requirements. The demand for the month of October this year as opposed to last year is down 25%. This is a significant percentage.

The figures were updated this month for the average residential and commercial billing. The average residential usage was up slightly from a year ago. Quarter ending October, 2008 usage was 600 kWh per residential household. This year for quarter ending October, 2009 usage was 633 kWh per residential household. The average cost for that kWh has gone up a tenth of a cent from 10.3 cents to 10.4 cents. On the commercial side the usage is decreasing. The average was 9074 kWh for quarter ending October 2009. A year ago the usage was 9210, which is about 180 kWh less. The average commercial cost has also gone up about a tenth of a cent from 8.5 to 8.6 cents. The other item Pierce discussed was the reliability data. There were two outages that were fairly short. The updated reliability packet shows outages and graphs. LLP still has a reliability of over 99%. The two outages are related to trees. The longest outage was 90 minutes the shorter was 52 minutes. The outage this week was due to a squirrel. That outage lasted 30 minutes and approximately 1300 customers were out. Valentine asked how this happened. Russo said, the squirrel did not clear the lines and grounded the primary causing the power to go out. Beachum inquired about the LLP power requirements and if this includes electric losses. Pierce indicated that the Electric Requirement is before losses and that LLP averages about a 4-5% loss of electricity. The industry standard is 5-6% in losses. Valentine asked if this would get better because of the new infrastructure. Pierce said not significantly better. There are ways to improve electric losses, but these changes have not been instituted as yet.

B. Income Statement (October 2009): Expenses are up slightly in October over the past three months primarily due to new work at the Generation substation and prep work for that project. Sales revenue is under budget for the month and over ytd. Sales Revenue is over budget 87,000 YTD. Total revenue is 3% ytd over budget. This puts us in good shape. Generation is under budget, as the generator has not run in over a year. Lowell Light and Power hopes to have opportunities next summer to run the generator. LLP should look at using bio gas (which is considered renewable) to run the generators and then we would most likely get called into the market more often. Bio gas would have a special pipeline and is in the works for Western Michigan. The utility's biggest expense is Purchased Power which is under budget 13% ytd due to our usage being down and the electric market. Distribution expense is slightly over budget because the utility is doing a lot of work on the system. Beachum asked how the process works with the Campbell Plant. When LLP does not use energy does it sell to someone else who has a need. Pierce replied when the utility doesn't need the energy, it is sold to someone else primarily through the Pool. Lowell Light and Power received a surplus energy credit of \$5,201 for the sale of surplus energy in

October. LLP also used less energy and receives a credit for less usage required along with a surplus capacity credit. Beachum asked if it hurts LLP when usage is reduced and would the utility have to cut expenses. Pierce is watching this on a monthly basis. Pierce will take action when necessary. Reviewing other expense categories; Customer Assistance is over for the month and under year to date due to the Energy Optimization plan. A lot of effort has been put into the EO Plan, ie the purchase and distribution of bulbs and brochures to help educate our customers. Advertising and Marketing is over for the month and over year to date. This again is due to EO plan items and this line item will be monitored closely even though it is small dollars in total. Administration expenses are over for month and under year to date. Office Supplies and Insurance, and Maintenance are under for the month and under year to date. Benefits and Compensation are under budget for the month and under year to date. The Total Expenses line 137, are under for the month and under year to date. Even though expenses were up for October over the previous three months, the utility is still under budget year to date. Net income was around \$14,000 and a little under the budget of \$16,700 for the month. Year to date we are significantly over budget for Net Income which is typical of the first few months of the fiscal year. You generally make money in the summer and fall and put it in the bank for the rest of year. Page 4, line 155 reports a healthy operating income \$44,500 for the month and over \$400,000 for the year. Our goal is to keep the operating income between \$350,000 and \$400,000 for the year. Beachum inquired regarding the pole attachment fees billed to Comcast and if indeed they were billed to Comcast. Sawka explained that we bill them once a year in January they were billed in 2009 and will be billed again this January 2010.

Managers Report:

- A. **APPA/MMEA /APPA Update:** The shut off policy is still in the works and being handled kind of piecemeal. Three of the original bills have been signed by the Governor. The first bill has to do with critical care shut off protection. The second bill is that you must notify MPSC if someone dies or suffers injury because of shut off. The third is approval for the Department of Health and Human Services to set up an electronic payment process with utilities. This will help with the paperwork flow. These three bills have been passed and have little or no effect on our newly adopted policy. Four other pieces of the bill went to the Governor today on low income shut off protection which is in our policy. The next bill gives the Attorney General the ability to file suit against a municipality if there is a death or injury resulting from a shut off. The next part is for senior protection against shut off and for senior information to be collected by the utilities. LLP has already instituted this process. LLP will continue using our new policy until there is a legislative reason to make a change.

Pierce has included an article regarding the residents of the thumb. Wind Turbines within 1,000 feet of the homes have experienced noise problems from the turbines. This article does not represent the type of data the promoters and manufacturers would have anticipated. The second article is regarding a coal fired plant and the plan to abort the coal facility and convert to a combined cycle facility instead. This decision is being made by AMP Ohio (an Ohio Joint Action Agency). Lowell is part of a combined cycle siting project through MPPA and three or four excellent potential locations have been identified. It is possible that the MPPA combined cycle project would move forward with Wolverine as a partner.

EO Plan Update: The method for CFL bulb distribution has changed. The utility handed out two CFL bulbs during the month of November billing period to each customer who came in to pay their bill. The response was very positive. LLP gave away their goal of CFL bulbs in less than two weeks. LLP also let the customers know that if they wanted more than the two bulbs, they could bring in three more incandescent bulbs and exchange them for CFLs. The giveaway generated a lot of goodwill. LLP also changed out bulbs at Schneider Manner. The utility will be able to apply as much as 30% of any extra efficiency savings from this year to next year or the extra savings from the CFLs may be used to cover some other deficiency in the Residential category. The utility has also had enough Commercial interest to meet the EO Plan goal. Both Metric Manufacturing and Litehouse have submitted projects that could use up our allocated funds. We are expecting Lowell School District and St. Mary's Church to apply as well. LLP's intent is to stay with our original plan of allowing \$2,000 per applicant for 2009. Applicants would be allowed to come back next year and apply for a share of the funds. Pierce is suggesting LLP give \$2,000 each to Metric, Litehouse and the Schools for this year. The budget for year 2009 is around \$8,000 and this plan would leave a balance for others who might apply. With the three applications submitted we have exceeded our kWh savings goal for the Commercial category. The incentive information has been sent out to all of our customers telling them the plan is available. When a business applies then more information is provided regarding the details of the program. Beachum suggested that LLP go with the \$2,000 and include a letter stating that the customer can apply again next year and funding availability will depend on how many applications are received. LLP has talked with several companies who are interested in the program but they cannot finance their half of the project this year. Low Income EO Plan goal has not been met. LLP needs to meet 3200 kwh savings for the Low Income EO Plan goal. The utility can do this in a couple of ways. LLP can distribute CFLs specifically to low income residents

or replace two refrigerators. Pierce is suggesting two energy efficient refrigerators be purchased and given to low income customers to replace their old, less energy efficient refrigerator. LLP will work with FROM on this to help select two low income families. Beachum asked the number of low income families that would get refrigerators next year? Beachum asked if there was another way to spread it around. Pierce also mentioned that LLP would like to keep the business in Lowell; however, there are no appliance dealers in Lowell. Pierce asked for a suggestion from the board as to where to purchase the two refrigerators. Pierce explained that next year the EO Plan could be revised, or there could be more refrigerators to meet the goal next year. Fridge/freezer pick up has not been successful; however, LLP can apply the CFL bulb savings to cover this program since both programs are Residential. Next year LLP can revise the plan or find a way to help customers understand that it would be a great savings to get rid of their old refrigerator.

A Plus Program: The utility has a brochure that went in the November billing. The utility is getting a positive response from these brochures and have received thanks for starting the program. FROM has agreed to administer our A-plus program and in reality, it is a good fit. FROM is already helping many of our customers. FROM will not charge a fee and will allow us to direct all of the A-Plus money toward helping our customers. Valentine asked a question about the A Plus donation form and whether it was intended for one time contributions or for a continual basis. Pierce said that at this point the form would have to be filled out every time the customer donates to the plan. The cost of the donation form is minimal to print and insert in billings.

Media: The newsletter holiday edition will go out the month of December. Pierce met with a committee from the City regarding upgrading our web pages. The group decided to post a Request for Qualification (RFQ) on the web page and in other local media to solicit potential web design contractors. The intent is to begin discussion with qualified contractors by the end of the year.

Shut off protection: This month the utility also put a brochure in the bills to let the customers know how to receive shut off protection.

Payables: October payables are attached for your review.

D. Schedule of Meetings: A schedule of meetings for the month is enclosed in the minutes.

E. Complaint Register (No new complaints)

VII. Date of Next Regular LLP Meeting: The next regularly scheduled Lowell Light and Power Board meeting will be held Thursday Jan.7, 2010.

VIII. BOARD COMMENTS: Canfield opened discussion up for Board comments.

Mayor Hodges had no comment. Hall saw in the Ledger that applications for the Grand Rapids Foundation for the Lowell Area Community Fund are due December 10. Hall asked that Pierce speak with the City Manager to look at doing an application for the street light proposal. Valentine noticed that two weeks in a row that LLP has gotten press in the Ledger. Valentine wanted to commend the employees of LLP on the job for removal of the substation behind the office on Broadway. Valentine is also pleased with how the EO Plan is falling into place. Beachum noted that of 158 applicants to the DNR, Lowell was number 1 and received \$389,000 for their trails project. This along with DOT grant, the trails will be breaking ground next spring. Beachum is proud to be serving on the Board for LLP and sees it changing for the better. Beachum notified the Board that he is working on the holiday get together. Johnston is also very happy that the EO plan is coming together. Johnston made a suggestion that we look at implementing a new retirement plan for new employees, such as a 401k. Johnston also would like to see the City come together with LLP for a unified health insurance plan. Canfield was in Lowell Township and the supervisor of Lowell Township mentioned that Whispering Hills accidentally had a wire cut and he appreciated the cooperation of Lowell Light and Power.

IX. STRATEGIC PLANNING: The Board went into a review and discussion of strategic planning that ended with an assignment for each Board member to identify 5 or 6 Goals for the next meeting.

X. ADJOURNEMENT: A motion was made by Canfield to adjourn and was supported by Hall. The motion to adjourn was unanimously approved by all of the Board. The meeting was adjourned at 8:53 pm.

Chairman, Greg Canfield

Date