

MINUTES

BOARD OF LIGHT AND POWER

REGULAR MEETING OF FEBRUARY 5, 2009

Call To Order and Roll Call: The meeting was called to order by Board Chairman Canfield at 5:35 pm. Present were Beachum, Canfield, Hall, Johnston, and Valentine. Also present were General Manager Pierce, Administrative Manager Sawka, Safety Director/ Generation Superintendent Russo, Kathy Kalm Administrative Assistant, and Mayor Hodges.

Approval of the Agenda: Pierce requested an item to be added to the agenda. The item was added under Action Items, V. B. Security Deposits – Operating Policy Revision. Hall also requested to add Action Item V. C., a discussion of City Charter Stuff. Canfield requested a motion for the approval of the agenda with the two additional items as presented. Beachum made a motion to approve the agenda as presented, and the motion was seconded by Valentine. The motion was passed by unanimous decision of the Board.

Approval of Regular Board Meeting Minutes: Canfield requested a motion to approve the minutes. A motion was made by Beachum to approve the January 15 Board meeting minutes with the addition of what was handed out to the Board by Pierce, Hall supported the motion. The motion passed by unanimous decision of the Board.

PUBLIC COMMENT

Canfield noted that there was no public present. Therefore, there were no public comments.

ACTION ITEMS

A. Compensated Absences: Pierce stated that a couple of meetings ago the benefit of compensated absences was discussed. The LLP staff currently receives 5 personal days and 12 sick days for a potential of 17 compensated absences. Pierce proposed that these days be referred to as compensated absences without the distinction of sick or personal time. In addition, Pierce believes incentives should be offered to encourage not using unless needed. Currently the majority of the employees at LLP use all of their compensated days off each year. There are only three employees who have accumulated sick time. The first incentive would be to allow the employees to set aside up to five of these days a year into a Short Term Disability bank for a maximum of 30 days. These days could be used in conjunction with Short Term Disability (STD), if the need arises, to obtain full pay during the STD period (30 days would approximate the pay required to supplement 60% short term disability pay for 90 days). The second incentive would be to allow employees of the LLP to trade in up to five days a year, on the first pay period in December, for regular pay. This in effect becomes a Christmas savings plan for the employee. Both incentives encourage being at work instead of taking the time off. These measures increase productivity without additional cost. Russo explained at this time it is a use them or lose them by Sept. 1 and Russo commented that most

employees were taking their days in order not to lose them. Beachum said teachers typically have 10-12 days and three personal days. Beachum does not have a problem with the LLP policy. Valentine asked if LLP was mainly salaried and Pierce stated it was mostly hourly. A motion to approve was made by Johnston and supported by Hall. The motion passed by a majority, Hall and Canfield opposed.

- B. **Security Deposits – Policy Revision:** Pierce stated that LLP does have a policy in place for security deposits and this was completed before Pierce came to LLP. However, there is a need to add to this policy the following statement, a completed and signed “Application for Electric Service” must be submitted before service will become active. Valentine made a motion to approve both policies 2-4 and 2-5 as amended to add the application statement. Hall supported and the motion was passed by a unanimous vote.

- C. **Charter - Budget:** Hall brought up the fact that Pierce stated that the budget had to be submitted to the City Manager by the 2nd week of March. Hall asked Pierce if he felt the budget requirement was short notice, mainly because only half a year’s data is available when the budget needs to be submitted to the city manager. Hall felt that this should be reviewed to see if this time could be changed. Hall stated, if additional time was allowed, LLP would have more accurate data. The Mayor reminded the Board that the Budget is just a plan. Johnston asked how our budget impacts the City’s budget. Pierce stated the City Council is ultimately responsible for everything that happens in the City. However, the budget for LLP is the responsibility of the utility. Pierce said he would talk with Dave Pasquale on this matter.

INFORMATIONAL ITEMS

Performance Data: Pierce stated that information on Performance Data and income statement is not in the packet. It is being handed out at the meeting and was done so in order for Pierce to explain a billing error of \$66,000 overstated in November and corrected in December which made December appear understated. Seeing these two months combined is more representative of what actually occurred. Pierce pointed out that the (KWH) was down in December from November; however, both months were up from last year at this time. LLP is still seeing positive results partially due to a rate increase of 6%. The rate increase is still in effect for the next month. It is significant to note that balances after shut offs are up and this is more reflective of the economy and is nearly twice the amount shown a year ago. Beachum asked if LLP has a proposed plan because power can no longer be shut off. Sawka explained that the penalty for not paying is \$25. The shut off collections are mostly for the promises to pay that are not paid by the end of the month. Sawka stated most of this gets collected. LLP has a very low write off rate compared to the revenue. Pierce pointed out the amount written off is about \$4000 a year. Pierce stated that the bank balance is good, and LLP has a good cash flow and is operating in the black. Beachum asked how revenue from the bills coincides with the payables going out. Pierce explained that the revenue from the bills is on a month lag. Accounts payable is based on a calendar year. Sawka pointed out

that it all balances out and adjustments are made at the end of the year to bring expenses and revenues into line.

Income Statement: Sawka explained the billing error was in the General Service -Commercial Sales on Line 7, should have read \$88,335.54 for the month of December instead of the \$16,800. This was a typing error. Sawka also pointed out line 35, of the Revenues, the variance is very large and this was due to the sale of 88 transformers. Purchased power was increased from last month by \$30,000. Pierce explained this as a cost of doing business. Line 79, Maintenance of Overhead Lines was up \$7800 due to an extra tree trimming invoice in the month. We usually pay two invoices a month and this month there were three invoices. Line 115, Injuries from Damages and Safety-Workmen's Comp charges for year end 2008, \$7,071 this was not received in time for year end close. The Workmen's Comp invoice for 2008 was received in 2009. Sawka said in actuality if there had not been an error the loss would have been \$26,116 instead of the \$92,000, for the month. Beachum asked if the Board would see a decrease in the budget in the coming year for tree trimming. Pierce explained that the plan would be to have routine monthly tree trimming from now on. Pierce feels that \$10-12,000 a month is a little high and was not sure if LLP had a lot of catch up to do. Pierce also mentioned the need for a spraying program; so that we do not have the brush coming up as often and this would save some of the trimming. The utility should have the community on a five to seven year cycle. Pierce stated that LLP should be through with the severe trimming. In a normal year you bank money in the first half of the year and then expenses pick up in the spring. Pierce pointed out July and August are high revenue months.

Manager's Report:

A. MPPA/MMEA UPDATE: Pierce explained on the Energy Optimization (EO) and Renewable Energy Portfolio standard legislation. LLP is working diligently to get our plans together and ready for public comment by mid March and then approval by April fourth. LLP is joining with other utilities and the MPPA to complete this effort. Lansing has already provided the utility with the template.

a. EO and RPS Implementation: Pierce has included some of the pages for the Board. Some of these pages demonstrate the kind of EO plans that are available to the utility. LLP will be working directly with a consultant from Wisconsin to determine which plans might work best for the utility according to the demographics of the community and which plans might be most cost effective for LLP to implement. Pierce explained, this is just a cafeteria example of what is available and what this consultant has used and found to work well. There are hundreds of other possibilities out there, but these are potential programs that have worked. Valentine asked if it was best to put all our eggs in one basket. Lansing had already submitted their plan. LLP has the opportunity to utilize a group to make this a more reasonable plan. This is the reason we belong to MPPA. The rates for this task could be as high as \$100,000 or more and the utility enjoys a group rate of \$2,500. The second half of this is the Renewable Energy Portfolio Standards. LLP signed up for 1.4 MW. The MPPA as a group has signed up to get 23 MW from the Granger Project. LLP's portion has been ratioed down to 1.3 MW. Pierce commented that this still should be enough to cover our needs until 2015. Granger has become principally dedicated to MPPA until 2015 for the landfill gas. Granger will not solicit other business

until MPPA needs are met. The second half of chart shows potential plans Granger has which are more in the 50% to 75% possibility range. If any of these come into play, the utility may have the opportunity to purchase from these plans and LLP will be well over our needs. Valentine asked what landfill might be utilized. Pierce believes Kent County is one of the landfills that are being utilized. The information presented and the direction the Board wishes to take will be left up to the Board's decision. Charging our customers for the EO plan is the easy part of the requirement. It was mentioned that LLP might not want to pass this cost onto the customer. The law requires we show the EO charges to the consumer. The Board has discussed a possibility of not charging the customer. This can only be done by lowering the rate and adding a line for EO charges. This will be at the discretion of the board. The total potential cost by 2012 is \$110,000. In 2012 we will have to have a line item in our budget for Energy Optimization for \$110,000. The law says we can collect this from our customers. There is a ramp in process for the next three years. Some other utilities in Michigan are going to start charging for EO by April 1. Johnston asked when the Board needs to make a decision on this. Pierce recommended a decision be made by the Board by April. The other part of the decision is that the utility is in the process of doing a rate review. The hardest part of the EO plan is to accurately document that the utility is decreasing our consumption by 1%. Pierce used the example of the CFL programs and estimating how many bulbs have been given away and the impact this has on energy saving. Valentine suggested that it would be good to have everyone on digital but this is not possible. Johnston said all LLP needs to do is show a yearly 1% reduction of usage. Pierce stated that the City of Lowell is replacing the street lights with LED lights. This may be a tangible way to document a substantial decrease. The school system is putting in a new cooling system for the summer that uses chilled ice and this ice will be made off peak. Pierce hopes this will also impact the 1% decrease. Pierce mentioned that because of the economy the utility gets calls from businesses that are struggling and want to know how to cut their load. Pierce felt that the utility would see an effort made by businesses to cut their load.

b. Shut Off Policy and Limiters: The Governor has called for a moratorium on any shut offs for the rest of the winter. MMEA is asking member utilities go along with this even though this is not a law. Pierce provided a print out of the utilities steps for the shut off/limiter process. This will be reviewed to see what changes can be made to this policy. For those in a non payment status the utility may be able to attach a tax levy through the City of Lowell. After much discussion, by the Board it was decided that LLP will review the steps that are taken. For now, the LLP will not be using limiters. Beachum said that if we go back to the use of limiters that he would like to have one put on his home temporarily to understand what the customer goes through. Valentine felt that if LLP goes back to using limiters that the utility needs a very specific policy. Hall questioned how the City of Lowell handled the water non-payment. It was noted that the City of Lowell does shut off water for delinquent bills. Beachum requested when the utility starts to use the limiters again, this request is to be brought back to the Board for approval.

B. **LLP 2009 BENEFITS REVIEW:** According to Pierce this is going along well.

C. FITNESS PLAN: Pierce has not heard back from the YMCA regarding a discount.

D. COMPENSATION SURVEY: Pierce e-mailed Mark Notely and Pierce is waiting to hear if he mailed the final report. Pierce expected to have this report by the first of February.

E. STRATEGIC PLANNING: Pierce met with staff this month to identify objectives that will move us toward meeting the goals established by the Board. Once these are determined, they will be brought back to the Board for review, input, revision and adoption.

F. GOOD NEIGHBOR FUND: Pierce included a packet called A Plus. This is a plan to help the unfortunate in their time of need with their utilities. Pierce also suggested several ideas that are listed on the program. This could become a City wide plan for consistency. Pierce offered several other ideas of other programs that other utilities are using with some success. Valentine asked if the utility is going to go forward and was concerned about how the utility would decide who will get this service. Pierce answered that we could use social intervention agencies. Sawka and Pierce are also working on a budget billing plan for customers and are planning on implementing this program next fall with Board approval.

G. LINE SHACK STRUCTURAL REPORT: The report back on this structure is that it has been compromised by high water during recent years and the building is now sitting empty. We have transferred all of our operations over to Chatham. Pierce said that it would be more costly to repair than the building is worth. At this point Pierce ask for alternate uses of this site. Many ideas were offered from Board members. This will need more research.

H. Belle River Reserves: Because there was a substantial reserve fund, Lansing has requested to withdraw from those reserves which the Commission has approved. Since Lowell is also part_owner of Belle River there are a percentage of those relinquished reserves that will come back to Lowell through the MPPA. Lowell's proceeds will be approximately \$13,000 a month for the next twelve months. Pierce has designated those funds go to our Municipal Trust at MPPA where we are keeping funds to support our capital projects as needed. The other idea Pierce has would be to utilize ,three months of this money to support OPEB Liability.

I. BOARD MEMBER COMPENSATION: A letter was sent to the City Council requesting a review of Lowell Light and Power Board Compensation. The Council referred the question to the Compensation Review Committee. Pierce will get back to the Board on this issue.

J. EMPLOYEE TRAINING: The staff is very appreciative of the opportunity to receive some additional training. Pierce will be going to a seminar and training in February 15th to the 20th. Russo and Droog have training the first part of February. Valentine asks what line the budget would show the training. Pierce answered by stating their will be a line item in each department for training.

K. Preliminary Budgeting: Pierce verified the budgeting schedule with the City. The first draft is due to the City Council by the second Monday in March. If the Board can think of any way to improve or add any information to enhance the budget process, Pierce would appreciate any input on this. Beachum felt it was necessary to get the budget to the City in their time frame. The Board will need to have a

Special Meeting on February 26th to discuss the budget. Beachum asked if Pierce had anything prepared ahead of time if he could get them the information to review ahead of time.

L. Payables: The Board members did not have any questions on the payables

BOARD COMMENT

Valentine thanked Pierce for his response to the limiter situation and his leadership. Hall asked about the clarification between superintendent and general manager. The attorney suggested using General Manager (sometimes referred to as Superintendant). The utilities Website is taking too long to get things changed Hall had concerns about the billing request and getting a speedier response. Beachum mentioned that the front desk told one of our customers to call information about Cable. In the future he would like the response to be call 1-888-Comcast. This is part of being proactive. Beachum asked if the Utility gets paid for the usage of our poles from cable. The answer from Pierce is yes, and the rate is based on the going rate set by MPSC. Pierce says this is being researched to make sure the rate has not changed from what we have been billing. Beachum also let everyone know that there is a meeting on the trail system on March 11 and Beachum has asked for a large turnout to show the interest in the Lowell community. Johnston thanked the Staff for the work on A Plus Program. Johnston asked about the possibility of the collaboration between the Utility and the City to work on the issues on the Wind Turbines. Pierce also mentioned that he is working on this with Mark Beauchamp so that we can have in place the net metering rate and equipment to help customers put this in place. Pierce elaborated that there is a planning/zoning model being promoted by the State and developed by Michigan State. Canfield said he heard comments on the tree trimming and how reliable our power is and felt that the tree trimming was very worthwhile.

ADJOURNMENT

There was a motion by Hall and a second by Beachum to adjourn. This motion passed unanimously. The meeting was adjourned at 7:10 pm.

Chairman, Greg Canfield

Date

