

**MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF AUGUST 11, 2011**

- I. **CALL TO ORDER AND ROLL CALL**: The meeting was called to order at 5:35 p.m. by Vice Chairman Johnston. Present were Beachum, Hall, Johnston and Valentine. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris, City of Lowell Mayor Hodges and City Manager Mark Howe. Absent was Chairman Canfield. A motion was made by Beachum to excuse Chairman Canfield, supported by Hall. The motion passed by a unanimous vote of the Board.
- II. **APPROVAL OF AGENDA**: Pierce requested an addition to the agenda. Action Item (A), Energy Services Agreement. There was a motion by Hall and a second by Beachum to approve the amended agenda. The motion passed by a unanimous vote of the Board.
- III. **APPROVAL OF MINUTES** (July 14, 2011 Regular Board Meeting and July 28th Special Meeting). Beachum pointed out a typo in the July 14th meeting minutes to reflect a spelling correction of “comparison”, page 3, next to the last paragraph. Hall requested to change the July 28th meeting minutes, under Biodigester, next to the last paragraph, change Greg to Pierce.
- There was a motion by Hall and a second by Beachum to approve the July 14th meeting minutes with the corrections. The motion passed by unanimous vote of the Board.
- There was a motion by Hall and a second by Beachum to approve the July 28th meeting minutes with corrections. The motion passed by unanimous vote of the Board.
- IV. **PUBLIC COMMENTS** (Items not on the agenda): City Manager Mark Howe introduced himself and commented he was excited to be in the community and already working cooperatively with LLP staff.
- V. **ACTION ITEMS**:

- **Energy Services Agreement:** Pierce briefly reviewed the revised Energy Services Agreement and pointed out that the new Risk Management policy is the only difference from the one approved 18 months ago. There was a motion by Beachum and a second by Valentine to approve the Energy Services Agreement as revised. The motion passed by a unanimous vote of the Board.

VI. INFORMATIONAL ITEMS:

- A. **Performance Data:** Pierce reported to the Board that June's performance data was discussed last month with the exception of the Total Electric Requirements which were up from the previous month and the previous year. Peak demand was up to 13.67.

Pierce stated July performance data reveals a good month. Revenue was up over the previous month and year. Residential customer count was up slightly from the previous month and significantly from the previous year. Commercial customer sales were up from the previous month and the previous year. Delinquent accounts were down from the previous month. Since we are reporting this data earlier in the month than last year, delinquent amounts are not reflected similarly from the previous year. The balance after shut offs were down from the previous month.

Overall investments were up. This month we began to include the Fifth Third Reserve Fund; these are available reserve funds for our bond payment.

This was the end of a quarter. The average residential KWH usage was down; Pierce believes this is due to energy efficiency measures. The average bill was up about 5-6%. Commercial KWH usage was up as well as the average bill. The aging analysis overall was up slightly from the previous month.

The month of July outages were significantly up, due to several storms. July we had 11 outages, a total of 242 customers had service interruptions. Our 12 month statistics still show we are available 99.99% of the time and the average outage time is still less than 1 hour. The majority of the August man hours were spent on the S. West St. rebuild replacing poles, transformers and transferring conductors.

B. **Income Statement (July 2011)**: This is the first month of the fiscal year. Pierce reported it is the second year we have put the budget in place based on a trending process. This month our actual is very close to our monthly budget. Pierce thanked Donkersloot for his diligent efforts; he believes we have a good trending mechanism in place for better forecasting. Revenue was good; this is the first time in a long time where expenses we were slightly under budget for purchased power. Total operating expenses are about \$20,000 under budget for the month. Our overall operating income is \$130,000. Total net income after transfers and interest is \$102,000.

Pierce reviewed the capital expenses. Several projects are in the works, with our fiscal year capital budget at \$650,000 and our July expenses at \$48,522.52 we are on track.

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

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

MPPA/MMEA: Pierce updated the Board on the APPA Annual Directory and Statistical Report indicating he would do a comparison of key financial and operating ratios for the Board in the next couple months. Pierce handed out a new Comparison of Average rates which shows us a consistently under Consumers Energy.

MMEA has decided to pursue a court action that would provide an opportunity to get the recent Michigan Supreme Court Great Wolf Lodge decision overturned. This process will take time. MMEA members believe this issue is significant enough to go through the effort.

The fall MMEA conference is in Coldwater this year. The dates are September 15-16. The board will be forwarded the list of speakers when they are available. Pierce believes MMEA will be changing their conference format to once a year with breakout sessions, similar to the APPA annual event.

MPPA formed the AMP Fremont project at its last Board meeting and all the potential participants in the project have been able to complete the necessary Resolutions to join. Pierce believes this will put our involvement at the level expected with .2-.3 MW of intermediate capacity at the cost of \$200,000-\$300,000. It will be discussed in the next couple months how to pay for this investment. Pierce believes the best alternative will be to participate in the MPPA bonding process along with the other participants.

- **System/Generation Upgrade Progress:** Pierce reviewed the line crew's activities for the month of July along with a thank you letter from Paw Paw recognizing our crew who assisted them in restoring power during their major outage.

- **Strategic Plan Punch List:**
 - Pierce stated we are still moving forward on our website populating the pull downs and links with the information to be displayed on the site.

 - The Elster pilot meters have arrived. An information letter is being mailed to the 200 recipients this week. Installations are being scheduled the last week of August. Pilot will be up and running by mid September.

 - Construction on the Lowell Ventures project should be starting this week with the goal of having power to them the first of September .

 - Pierce is waiting for the mechanical engineer's review of the combustion turbine before scheduling the onsite visit.

 - Pierce made reference to the bio-digestion Request for Proposal sent; he stated there are at least six companies who are interested in bidding the project. We are in the process of evaluating the bio-digestion facility and location.

- **Short Term Punch List:**
 - Pierce reported he needs to schedule meetings with Lowell and Vergennes Township Supervisors & Clerks.

- Pierce stated now that the new City Manager is in place, community Disaster Plan discussions will begin.

- Joint billing is at a standstill until the new City Manager has an opportunity to familiarize himself on the specifics.

- **PILOT Discussion:** Pierce reiterated the Board has designated himself, Canfield and (possibly Jim Hall) to represent LLP. Pierce discussed the PILOT process with the new City Manager; he would like some time to review the information.

- **Lowell Ventures LLC Building Service Update:** Pierce reported; we are waiting for all the materials to arrive to commence construction on the new line to Atwood. The contractor, Kent Power has indicated a start date of August 15 and expects to be completed on schedule. We will arrange a connect time with Ventures that coordinates with the tenants.

- **Biodigestion Update:** Pierce reported the RFP was sent out Monday, August 1st to six other potential firms/partners. The proposals are due back August 24th. Pierce reviewed the detail of his meeting with Fuller Septic.

Pierce continues to pursue property options. He and Mark Howe are meeting with Dan Desjarden about the location and sanitary issues. He met with Andy Dykema from Grand Rapids Gravel, and there should not be any problem picking up additional acreage next to the substation. This is an area they will not be mining. They are also looking at a couple acres adjacent to the Water Treatment Plan, which may also be a viable option. Pierce had conversations with the broker of the 11.2 acres behind us in the township. They have dropped the price and are anxious to move it. Out of the 11.2 acres there is only 2.5 acres currently buildable, but with fill we could probably get another 2-3 buildable acres out of that parcel. Chatham has plenty of available space to house the biodigester.

- **New Generation:** Pierce stated he is waiting on the review from the mechanical engineer, Dan Girvan, before going to see the unit at Ford. One of the issues Dan is facing is getting information from Consumers about the natural gas supply to Lowell. Apparently there is only a 175 psi service coming to Lowell and this unit requires 250 psi.
- **Electric Rates:** Pierce reviewed the rate comparison sheet put out by the Michigan Public Service Commission. This does not include the 10% rate increases Consumers Energy is implementing in the fall. Our rates compared to Consumers for a small residential customer is 10.40% lower, an average customer is 16.5% less and for a large residential customer we are 50% less. LLP Commercial and Industrial customers rates are 20-30% lower than Consumers.
- Pierce reviewed three graphs (average revenue per kwh, average cost per KWH and average monthly energy requirements) on rates. Several times over the last few months we have had discussions about purchased power cost and the power cost adjustment factor and the fact that we have not adjusted base rates in over two years. Steve and Greg have been looking very closely at our rate structure and how it compares to our actual cost structure and power consumption. There are a couple areas where they find inconsistencies.

The first thing is that we always seem to do well in the summer, but struggle in the winter months to meet budget. Idealistically if our rate structure was designed to match our usage and costs, our operating revenues should be fairly consistent each month before any anomalies. We charge higher rates in the summer months because supposedly the cost of energy is higher in the summer with peak usage and heat waves. After trending we found the exact opposite. Our per kilowatt hour costs are higher in the winter than in the summer. This would explain why we have good operating months in the summer when rates are higher and unit costs are lower. Perhaps we should adjust this element of the rate structure and have more consistent rates year round. Pierce will bring back information on how eliminating the winter rate decrease would impact revenue. Pierce will bring back information on how eliminating the winter rate will impact revenue.

Pierce reported on the Renewable Energy Portfolio costs. Up until this point, renewable energy has been fairly small. We have not shown it on the customer bill. Under Public Act 295, we are allowed to show that cost on our bill and can charge our residential customers up to \$3 per month to reflect our investment in renewable energy. This year our plan is ramping up and we are projecting to spend \$2.88 per customer. We are currently taking the revenue out of our PCA. Pierce suggests we pull that amount out of the PCA charge and begin to show it as a renewable energy charge on the bill. Then we would true up the PCA to reflect our power costs for energy other than renewable. We also do not currently charge our customers directly for the Energy Optimization program.

Russo discussed the Advantages of Power Factor. Basically, power factor measures how efficiently electricity is being used. If a certain piece of equipment uses electricity inefficiently it not only impacts the usage of the facility, it also impacts the amount of energy supply at any given time. He stated it detracts or diminishes total capacity. He reviewed the current needs of a motor, real current and magnetizing current. He provided and reviewed diagrams explaining the voltage, load current, motor current and magnetizing current. Poor power factor also places additional “wear and tear” on our transformers.

- **Payables**: Pierce provided the July 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, Tuesday, September 13, 2011.

VIII. BOARD COMMENT:

Perry asked to have the Trails bricks displayed in our lobby. He thanked Tom and Mark for hanging the Pink Arrow banners and Lowell Light and Power and the Board for purchasing a banner. He also inquired about the cost of fixing the neon Lowell Light and Power sign on the front of the building.

Mayor Hodges commented that at the next City council meeting they will be declaring September 9th as Pink Arrow Day.

IX. **ADJOURNMENT**: There was a motion by Hall and a second by Beachum to adjourn the meeting at 7:15 p.m. The motion passed by a unanimous vote of the Board.

Vice Chairman Johnston

Date