

**MINUTES  
BOARD OF LOWELL LIGHT AND POWER  
REGULAR MEETING OF FEBRUARY 10, 2011**

- I. **CALL TO ORDER AND ROLL CALL**: The meeting was called to order by Chairman Canfield. Present were Beachum, Canfield, Hall, Johnston and Valentine. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris and City of Lowell Mayor Hodges. Public present were Ryan Peel and City Councilman Andrew Schrauben.
  
- II. **APPROVAL OF AGENDA**: There was a motion by Beachum and a second by Hall to approve the agenda as presented. The motion was passed by unanimous vote of the Board.
  
- III. **APPROVAL OF MINTUES** (January 6<sup>th</sup>, 2011 Regular Board Meeting): There was a motion by Beachum and a second by Hall to approve the minutes as written. The motion passed by unanimous vote of the Board.
  
- IV. **PUBLIC COMMENTS** (Items not on the agenda): Visitor Ryan Peel addressed the Board inquiring about municipally provided utilities. Ryan was looking for possible local experience from the Board regarding fiber optics or assistance in operating a C12 nonprofit co-op; or any information which could assist in his future efforts to bring Broadband to the community.
  
- V. **ACTION ITEMS**:
  - A. **UBS Signature Approval**: Pierce explained the corporate resolution signatures were authorizing representatives to handle investments in the accounts. The revision would include Steve Donkersloot as the second representative rather than Mary Sawka. Johnston made a motion seconded by Hall to approve the revised resolution as presented. The motion passed by unanimous vote of the Board.
  
  - B. **Board Governance Policy**: Pierce reviewed the draft for the Board Code of Conduct and Board Governance Policy. Hall commented

on Policy section 2.5 (A), regarding a Board member who moves outside the designated service area, should read; outside the City. There was also discussion about section 2.2 (F) which sets out the LLP check signing procedures. The language in this section has been changed to more accurately reflect what actually occurs. The changes will be made and reviewed at the next Board meeting for final approval.

- C. **North American Landfill Gas**: Pierce reviewed the contract as well as the landfill gas status report from MPPA. MPPA suggests we sign the North American contract and work out agreements with other municipalities in our group to take some of our extra landfill gas capacity should we decide we have excess. Signing with North American would alleviate having all our landfill gas renewable energy with one company who may not be able to produce as expected. It would also insure we have enough renewable energy should our load increase. There was a motion made by Beachum and a second by Valentine to enter into a contract with North America Landfill Gas to meet the production we had originally purchased with Granger. The motion was passed by unanimous vote of the Board.
  
- D. **Tax Lien Ordinance**: Pierce discussed the tax lien ordinance. He stated LLP placed approximately \$7,000 in property liens on winter taxes which were at the write off stage. In that process, we successfully collected about \$4,500. Pierce advised the Board of Dick Wendt's recommendation to pass a separate ordinance for LLP to continue this process. There will be a public hearing on the ordinance at the next City Council meeting, February 22<sup>nd</sup>. There was a motion by Johnston and a second by Valentine to approve the Tax Lien ordinance. The motion passed by unanimous vote of the Board.
  
- E. **Engine Safety Upgrades**: Pierce reiterated the discussions from the January 27<sup>th</sup> Board special session. He also provided and reviewed additional generation information to assist the Board as they move forward in the decision process. There was a motion made by Johnston and a second by Hall to forego the safety upgrades and discontinue use of the generators for now. The motion passed by unanimous vote of the Board.

- F. **2012 Preliminary Budget:** Pierce reviewed the draft of the preliminary budget for 2012. Pierce pointed out that the budget is tied to the long range financial plan, so the budget numbers presented tie to that document. He stated the numbers include increased revenue from the power cost adjustment (PCA) and increased expense for purchased power as anticipated. Beachum stated he would like to see an additional column inserted to include the current actual costs to date. There was a motion made by Johnston and a second by Valentine to approve the proposed draft budget.

## VI. **INFORMATIONAL ITEMS:**

- A. **Performance Data:** Pierce reported to the Board that December was an okay month. We were slightly down from a year ago in overall total electric requirements. He also reported residential customers continue to steadily grow. Residential sales and (kWh) were both up slightly from the previous month and year. Commercial customer sales were up from the previous month as well as up from the previous year. Our commercial customer count remained the same as last month and was down (3) customers from last year. Delinquent accounts were still high; however balance after shutoffs were slightly down from the previous month and the previous year. The delinquent amount at the close of the month continues to increase.

It was not a good month in the market; Payne Webber investments were down as well as our overall investments compared to last month. Overall investments are up slightly more than 5% from last year. Pierce reported potential write offs were down due to the money that was collected through tax liens. He also reported there were no outages.

- B. **Income Statement (December 2010):** Pierce reported to the Board that December was a good revenue month, over budget by about \$20,000. Year-to-date our total revenue is approximately \$4,700 under budget. Pierce reported our operating expenses were also doing well; although purchased power year-to-date is high, we were almost on budget for the month of December. Total expenses were \$20,000 under budget for the month and even through year-to-date figures show we are over budget, we are really only over by the \$150,000

which is due to the June/July anomaly. Our operating income was well over budget by \$38,000 for the month. Net income was under budget by more than \$5,000, but much better than past years. Since February is the month we make power cost adjustments, we should see revenue increasing. Pierce reported we will be watching the PCA adjustment closely and revise it quarterly as power costs fluctuate.

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

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

**MPPA:** The courts have now ruled in favor of both Holland and Wolverine for their "Clean Coal" plants. The MDEQ has withdrawn its appeal for the Holland decision. Both entities now expect to receive approved air permits subject to any changes enacted by the USEPA since their applications were originally submitted.

**MMEA:** MMEA is still working on the Transmission issue at FERC and we are getting more press each week about how the sharing of transmission line construction costs will be an economic hardship on Michigan. The last two articles have been in the Wall Street Journal.

- **System/Generation Upgrade Progress:** Copies of the activities completed by the line crews during the month of December were noted. Lighthouse upgrades are complete. Pierce and Russo had a positive meeting with property managers of the Steelcase building. They are interested in a proposal from LLP. Pierce indicated the fastest way for us to get power to them would be the overhead river crossing which would allow LLP to begin providing power by June 15<sup>th</sup>, 2011.

- **Strategic Plan Punch List:** Progress has been made on several items on the strategic plan/action items list.

-Bid packages have been reviewed and a tentative selection has been made for the web page redesign.

-Still working on the Daffron Interface of Elster smart meters. Issues have been resolved and that will be moving forward in the next week or two.

-Plans are being developed with the help of GRP to make a proposal to the new owners of the Steelcase building.

-Audit deficiencies placed on the punch list to address Johnston's concerns will be discussed below.

- **Electric Vehicle Charging Station:** The charging station is installed and ready for use. A second charging station is in the ordering process.
- **APPA Lineworker's Rodeo:** The Rodeo is March 18<sup>th</sup> and 19<sup>th</sup> in Nashville, followed by the Engineering and Operations Technical Conference March 20<sup>th</sup>-23<sup>rd</sup>. The van will depart LLP Thursday, March 17<sup>th</sup> and return Monday, March 21 after the RP3 Award acceptance.
- **RP3 Designation:** Last fall we submitted volumes of data on LLP to APPA as our first submission in their Reliable Public Power Provider (RP3) program. Pierce gave kudos to Russo, as did the Board, recognizing his diligent efforts for spearheading the project. The only other Michigan utility we know of that has received this award is Lansing. There are three other Michigan utilities who will receive the award with us this year. No press can be contacted until the award is received in Nashville.
- **EO Final Report:** Our goals were met for low income and CFL categories which were handled at LLP. Our kWh savings goal through Franklin Energy was 210,000 kWh and we achieved a savings of 218,678 kWh, while staying under budget.
- **Risk Policy:** Pierce and Russo are attending Risk Policy Training sessions at MPPA. MPPA would like each member utility to adopt a Risk Policy depending on the amount of Risk they are willing to accept. The Board was provided documents for their review.

- **Audit Deficiency Controls**: All potential deficiencies identified by Peter Haefner in the 2010 Audit have been resolved. Pierce explained the four deficiencies to the Board.
- **Credit Card Payments**: LLP has been conducting a pilot test over the last six months to collect data regarding the process of offering standard credit card payments to our customers. During the past six months LLP has collected over \$77,500 in revenue from over 700 customers. This equals about \$3.03 per credit card transaction. The total cost of this service has been \$1,870. Since the overall cost of this program is spread over all LLP customers, it equates to approximately .10 cents per customer, per month. Currently, the City only takes online credit card payments for water and sewer and the customer's incur a \$3.95 fee per transaction. A joint meeting with the City Council will be scheduled to further discuss how the City and LLP can provide customer consistency in their credit card acceptance policies.
- **Payables**: Pierce provided the December 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, March 10<sup>th</sup>, 2011. Canfield commented he will be unable to attend.

VIII. **BOARD COMMENT**: Beachum commented on the APlus ad in the Lowell Ledger; he would like future ads to include last names with his/her first initials.

Mayor Hodges reported on several items happening around the City.

IX. **ADJOURNMENT**: There was a motion by Hall and a second by Johnston to adjourn the meeting. The motion passes by unanimous vote of the board at 7:43 p.m.

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Chairman Canfield

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Date