

MINUTES

BOARD OF LOWELL LIGHT AND POWER

REGULAR MEETING OF JANUARY 6, 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, Utility Financial Service Manager Sawka, Financial Manager Donkersloot, Utility Service Coordinator Morris, Lead Lineman Droog, City of Lowell Mayor Hodges, Lowell Police Chief Hinton and Vredeveld Haefner CPA Peter Haefner.

- II. **APPROVAL OF AGENDA:** There was a motion by Hall and second by Johnston to approve the agenda as presented. The motion passed by unanimous vote of the Board.

- III. **APPROVAL OF MINUTES** (December 9th, 2010 Regular Board Meeting): There was a motion by Hall and a second by Valentine to approve the minutes as written. The motion passed by a unanimous vote of the Board.

- IV. **PUBLIC COMMENT** (Items not on the agenda): There were no public comments.

- V. **ACTION ITEMS:**
 - A. **Bank Signature Approval:** Pierce explained the revised bank resolutions for Fifth Third, Huntington and Chase that are done annually. The revision was adding Tom Russo and Steve Donkersloot along with three Board signees. Valentine made a motion seconded by Beachum to approve revised resolution as presented. The motion passed by a unanimous vote of the Board.

- B. **Audit Presentation**: CPA Haefner presented the 2010 Annual Audit to the Board. Haefner explained and reviewed the details outlined in the audit letters and reported overall results at the conclusion of the audit. Haefner reported a “clean” audit to the Board. There was a motion by Beachum and seconded by Hall to accept the audit as presented. The motion was passed by a unanimous vote of the Board.

VI. **INFORMATIONAL ITEMS**:

- A. **Performance Data**: Pierce reported November requirements were slightly down from the previous month. Pierce stated this was primarily due to a more seasonal November than usual. Pierce stated even though overall requirements were down, residential and commercial sales were up. Delinquent accounts were down from the previous month; about the same as last year. Pierce reported the outstanding balance after shut offs was higher than the previous month. Pierce reported total investments and cash were slightly up overall. Pierce reported the aging analysis 1-30 days was significantly down from the two previous months. LLP has placed property tax liens on around \$5,000. Once lien obligations are met, the Utility is looking at about a \$7,000 potential write-off for 2011. Pierce reported there were no outages in the month of December. Pierce reviewed the December “completed work” schedule.
- B. **Income Statement (November 2010)**: Pierce reported to the Board that November total revenue was a little under budget for the month. Since we had a strong July and August, year-to-date we are less than 1% below budget. Pierce stated most of expenses are still under budget except purchased power. No internal adjustments to purchased power, to reflect the June/July anomaly, will be made until the end of the fiscal year when all adjusting entries are made. The June/July anomaly we discussed has been verified through the completed audit. In June 2011, there will be a \$158,332.71 reversing entry for purchased power. Pierce reported that in 2011, when the new coal contracts come into play with Campbell and Belle

River, we will see a larger increase in purchased power. Pierce stated once we see what the impact will be, we may need to do a budget adjustment to purchased power to more adequately reflect total expected costs for the year. Operating income was \$10,664.53 for the month. Pierce also reviewed the Capital Expense Report with the Board.

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

1. **MMPA:**

- Pierce reported there was not much new from MMPA and MMEA this month. FERC has functionally endorsed the MISO Transmissions Socialization proposal; this will likely require that MMPA/MMEA join in a legal intervention and file suit against FERC.
- Holland won its suit against MDNRE for its proposed clean coal plant air permit. The court ruled that the Governor's administrative rule was unconstitutional. Pierce reported the MDNRE has announced they are going to appeal.
- Kaskaska CT had a major malfunction during in November. One of the two turbine units threw a bearing and had to be dismantled and sent to Pratt & Whitney for repair.
- MMEA Annual Legislative Rally in Washington is February 28-March 3. Pierce asked if anyone is interested to let him know so they can make arrangements. Pierce will be participating, his participation is being paid by MMEA.

2. **System/Generation Upgrade Progress:**

- A meeting in Zeeland is schedule on January 12th to discuss the implication of RICE rules for our generators, Mark and Tom will be attending.

- The crews have been continuing work on the 1247 conversion. LLP has received documentation from GRP that we will be able to remove one set of lines on Foreman. That work will begin in the spring.

3. **Strategic Plan Punch List:**

- Bid packages have been received from the vendors on the webpage and the committee is in the process of reviewing them.
- We are still working with Daffron and Elster regarding the smart meter interface. Pierce reported he has a conference with them on January 7th.
- Pierce reviewed the three GRP proposals to provide power to Atwood's Steelcase building. This will be further discussed at one of the work sessions.

4. **Short Term Punch List:**

- Lowell Ledger had an article the week of (12/29/10) on the charge station and the APLUS Program. The APLUS brochure went out in this month's billing. January was identified as a "round-up" month, encouraging customers to make contributions. Pierce reported the APLUS Program has raised about \$1,000 (since December 2009) from customers that were matched by LLP, totaling \$2,000 to the fund. The fund has disbursed \$1,600 to 16 customers to bridge the gap when they could not make payments.

5. **Electric Vehicle Charging Stations:**

- The charging station arrived this week and should be installed by the end of January. We have received bids from a couple local contractors to assist in the installation; estimated costs are \$2,000 or less. ChargePoint has additional charge stations available; the Board agreed we should request another one to put on the other end of town.

6. **Mary Sawka's Retirement Party:**

- Details are finalized; the party is schedule for Saturday, January 22, 6pm at Noto's Restaurant, RSVP to Sharon with your meal choice.

7. **APPA Lineworker's Rodeo:**

- We have five going so far. The two apprentices are going and will participate, Perry Beachum, Mark, Tom and Greg will also be attending. We are moving forward on getting a van for whoever wants to go. The line portion of the group is coming back on Sunday. Tom is staying for a portion of the conference and Greg is considering staying for a portion of the conference as well. The van will leave Thursday, March 17th and return Sunday, March 20th.

8. **Long Range Financial Plan and Audit Second Option:**

- Pierce reviewed the updated long range financial plan through 2012. The plan has been adjusted from the approved budget for 2011 to reflect the expected increase in purchased power.
- The model/plan shows we are on target or slightly ahead of schedule. We had no rate adjustments during the calendar year 2010. The 4.2% that shows up in the plan for 2010 was the impact of the 5.5% adjustment in May of 2009, which continued into the fiscal year 2009-2010. One reason the projected increase for 2011

is only 1.5% is because most of the purchased power cost increase is automatically passed on to our customers through the PCA (power cost adjustment).

- The Board has requested a “second opinion” after the audit to look at the Utility’s overall financial condition. Pierce provided a page of key financial indicators from AAP and reported how LLP compared to the industry’s standards. In all cases LLP was close to or better than the reported statistics. Pierce indicated another option for a “second opinion” was Mark Beauchamp. His business excels in evaluating the financial condition of a utility, and he is utilized by municipal utilities across the country. Mark is willing to conduct a review as a second opinion for \$2,000. It was explained to the Board that the three key indicators Mark would review are all areas in which we are doing well. Pierce reviewed those selected financial and operating ratios to the Board and confirmed we are doing well in those particular areas. Pierce asked the Board if they wanted him to move forward with a review by Beauchamp; the Board agreed no second opinion was necessary.

9. **Payables:**

- Pierce provided the November payables for the Board’s review.

D. **Schedule of Meetings:** A work session is scheduled for Thursday, January 27th, 5:30, sandwiches provided. The meeting will include: generator discussions, purchased power project discussions, upcoming budget, biodigestion gas update and long term goals.

E. **Complaint Register:** There were no new complaints.

VII. **Next Regular LLP Board Meeting:** The next scheduled Board meeting will be held , Thursday, February 12th, 2011.

- VIII. **Board Comments:** Mayor Hodges reported on the City Council meeting regarding the snow plow ordinance, he believes the ordinance will read much the same as was passed in September, with the exception of some minor changes.

Hodges also reported the next City Council meeting is on Tuesday, January 18th due to Martin Luther King Day. Thursday, January 13th Design Quest is hosting an event at Main Street Inn, noon-8. The purpose is to solicit community input for the East and West Riverbanks as well as the amphitheater. Coffee with the Council is scheduled for February 5th. The City Manager recruitment is going to publication March 14th, application deadline is April 14th. A short list will be established; interviews will be held Saturday, April 30th and Hodges expects an announcement the following week. City holiday party will be held Saturday, January 29th, at Main Street Inn, 7pm-11pm.

Hall recommended we add lights to our Christmas tree; Beachum agreed. Beachum also expressed concern about declining business customers. Pierce is working with the City who has joined forces with The Right Place program; they are working to get a group together to do some strategic planning; specifically on how to bring businesses to Lowell. Beachum commended the LLP employees and the Board for a job well done. He is happy with the progress LLP has made the past couple years.

Johnston asked to have internal controls (from the audit) added to the punch list for the next meeting.

Canfield stated the audit reflects how far LLP has come the past couple years. Canfield reiterated Beachum's comments on a job well done by the LLP staff and Board. Canfield also congratulated Mary Sawka on her years of service and her retirement.

- IX. **Adjournment:** There was a motion by Johnston and a second by Beachum to adjourn the meeting. The motion passed by unanimous vote of the Board at 7:14 pm.

Chairman Canfield

Date