

**MINUTES**  
**BOARD OF LOWELL LIGHT AND POWER**  
**REGULAR MEETING OF FEBRUARY 9, 2012**

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order at 5:33 p.m. by Chairman Canfield. Present were Beachum, Canfield, Cadwallader and Johnston; Laponsie arrived at 5:40. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris and Lowell City Manager Mark Howe.
  
- II. **APPROVAL OF AGENDA:** Pierce requested to omit Action Item (B) Review and Approval of CT Electrical Interface. Those estimates have not yet been received; the engineer anticipates having the estimates from their subcontractors and suppliers very soon. There was a motion by Johnston and a second by Cadwallader to approve the agenda as amended. The motion passed by a unanimous vote of the Board.
  
- III. **APPROVAL OF MINUTES** (January 12, 2012 Regular Board Meeting). There was a motion by Beachum and a second by Johnston to approve the January meeting minutes as presented. The motion passed by unanimous vote of the Board.
  
- IV. **PUBLIC COMMENTS** (Items not on the agenda): There was no public comment.
  
- V. **ACTION ITEMS:**
  - A. **Review and Approval of Material Bid for Underground Boring:** Pierce reviewed the two bids which were received from Power Line Supply at \$96,213.08 and RESCO at \$108,346.71. It was recommended to accept Power Line Supply's bid.

Pierce gave an update on the entire project to extend circuit 208 to the east side of town and to the Ventures facility. Prior to this approval, we have expended \$251,316 on this project's phase one, which encompassed overall design and construction providing temporary service to Ventures. Adding \$96,213.08 will bring the current project cost to \$347,529. The new estimated cost estimate for the entire project is expected to be closer to \$550,000. This is still significantly less than the

alternative cost estimate of \$650,000 to extend circuit 208 to the east side of town using the conduits placed on Main Street during the bridge reconstruction. Pierce also reviewed the Attwood project bar graph of estimated vs. actual costs. A motion was made by Beachum seconded by Laponsie to approve the bid for the Flat River under-river boring supplies, extending circuit 208, from Power Line Supply for \$96,213.08; recognizing that the total cost estimate for the project has increased from \$420,000 to \$550,000, putting us over budget by approximately \$130,000. The motion was passed with a unanimous vote of the Board.

## I. INFORMATIONAL ITEMS:

- A. **Performance Data:** Pierce reported to the Board that December performance data was discussed last month with the exception of the Total Electric Requirements which were up about 6.8% from the previous year. Peak demand was up from the previous month at 10.256MW and up about 7.6% from the previous year.

Pierce then reported on the January performance data. January was a good month. Residential sales dollars were up from the previous month and up 15% from the previous year. Residential kWh sales were slightly less than the prior year, due to the mild weather. Commercial kWh sales were down from the previous month, which is typical after a higher holiday usage month and up from the previous year. However, Commercial sales dollars were up from the previous year. Commercial customer count was slightly down from the previous month and year. Delinquent accounts are fairly similar to the previous months. The balance after shut offs is down slightly. Delinquent amount owing from Decembers is significantly down. Pierce gave kudos to the office staff for taking a more “hands on approach”; direct customer contact as well as setting up payment plans have greatly reduced the number of delinquent accounts.

The overall cash and investments are down due to the purchase of the IVEX Combustion Turbine (CT). The aging analysis for the month of January remains consistent with the previous months.

January is the end of a quarter where we calculate average billing statistics. Residential usage was down slightly primarily due to the milder weather. The average bill was up slightly from the previous year due to the leveling of our rate structure. The average commercial

usage and the average bill were up from a year ago. The aging analysis remains consistent with the previous months.

Pierce reported in the month of January there were 3 outages totaling 185 minutes. Our 12 month outage statics reveal we are available 99.978% of the time.

- B. Income Statement (January 2012):** Pierce is pleased with the office staff's performance. This is the first time in his tenure that an income statement was available on the 1<sup>st</sup> of the month for his review and inclusion in the Board packet. January was a good month. Total operating revenue was slightly over budget for the month and still slightly above our revenue budget year-to-date. Total operating expenses for the month are in good shape and we are under budget almost \$40,000 year-to-date. Purchased power was very close to budget again this month.

Our total operating income was \$46,000 for the month, \$565,000 year-to-date. We had a net income of \$6,700 for the month; we are slightly over budget for the year.

Pierce reported the capital expenses were revised to more accurately reflect our upcoming expenses and to gain a "truer" picture of where we are. The revision includes the balance from FY 2011 budget for this FY and the Municipal fund withdrawal. The total capital budget available in FY 2012 is \$1,237,670. Total capital expenses so far are \$997,631.92. We also had \$12,555 in net capital sales. The portion of the year-to-date budget still available is currently at \$252,593.08; with five months left.

- C. Manager's Report:** Pierce gave updates to the Board on the following items.
- **Biodigestion Update:** Pierce reported the project continues moving forward. Feed stock contracts continue to progress. Pierce has received a draft of a purchased power agreement from SPART. SPART is finalizing projections and the balance of the transaction documents. Greg Northrup and Pam Landis, along with an intern Alena, were present. They gave an update on modifications made in the redesign of the facility to mitigate issues raised by the MDEQ, the Planning Commission and the neighborhood.

SPART explained they have made additions to their feedstock, FOG (food, oil and grease), and negotiations continue with the Swiss Lane (manure 800,000 lbs) and Litehouse (600,000 gallons). The addition of the oil and grease trap waste will significantly increase the feedstock BTU content and bring the cost of renewable energy to approximately 7.5 cents per kWh. SPART is negotiating with transportation contractors to bring feedstock as well as transport the liquid back to the farmers for their use as liquid fertilizer. These are long-term 5-year contracts include (3) 5-year renewals totaling a 20-year commitment.

The new design puts all of the operations, except the up flow/down flow reflow tanks, in the eastern portion of the building. We believe this design helps to further minimize any potential for aesthetic impact to the neighborhood as well as the need for exterior site work and construction.

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

**MPPA/MMEA:** Pierce stated MPPA continues to work toward finalizing the agreements with AMP-O for the Fremont Combustion Turbine. In the meantime the unit is running, our portion is being sold into the PJM market and we are receiving a credit against our purchased power invoices. The process is working according to plan so far, our revenues exceed our costs. The biggest issue for the agency continues to be how we will work with Consumers and DTE to minimize the impacts of environmental regulatory requirements to our Campbell and Belle River facilities.

MPPA is working on re-filing the LLP Renewable Energy Plan. It appears by using the prescribed formulas our plan shows that we will not meet the 10% standard by 2015 without exceeding the allowable surcharge cap. MPPA is in the process of helping us register our renewable energy credits into the state MIRECS system. This allows us to claim the credits we are receiving from our Granger generation.

MMEA; there is no news on the transmission issue or the Great Wolf Lodge issue. We are gaining more recognition in Washington for the transmission issue and more congressional delegates are asking for clarification/backup on why we think FERC's cost allocation decision for MISO is harmful to Michigan.

On the State level, Governor Snyder announced he intends to implement a plan that would require every gas and electric meter in the State of Michigan to contribute to a “home heating assistance for the vulnerable” \$60M fund. This fund would assist the less fortunate with their winter gas and electric bills. The money would be collected by the utility and forwarded to the State for distribution. Local assistance agencies would have to apply to this fund for grants for their specific community. There are outstanding negotiations that this is more of a “heating credit”, therefore, it is possible the gas meters will collect a larger portion than the electric meters toward this fund. If it was spread evenly between gas and electric meters the charge would be \$7.50 per meter. Utilities would be required to collect this one-time charge from each customer in October 2012.

The MMEA/APPA Legislative Rally in Washington is scheduled for March 12<sup>th</sup>-14<sup>th</sup> this year. It is open for any Board member interested in attending. MMEA Spring Conference is May 9<sup>th</sup> & 10<sup>th</sup> in Traverse City. May 10<sup>th</sup> is LLP scheduled Board meeting. Pierce suggests the Board meeting either be held in TC on the 10<sup>th</sup> as scheduled, or the meeting be moved to May 17<sup>th</sup>.

- The APPA Lineman’s Rodeo and Technical Conference is scheduled for April 13<sup>th</sup> -18<sup>th</sup> in Cleveland, Ohio. Last year several attended and this year the location is even closer. I do not believe we will have any lineman participating this year, but we may still want to consider attending the event to educate and motivate our employees.
- **System/Generation Upgrade Progress:** Pierce reviewed the line crew’s activities for the month of January. Most of the hours were spent tree trimming. This is the time of the year that we do most of our tree trimming for line maintenance. The Shell station was converted to the 1247 system during the month.

We are still in the process of working out the reconfiguration details to begin setup of the IVEX (Solar) turbine this spring; we are waiting on engineering estimates.

- **Strategic Plan:** Pierce distributed a copy of the Strategic Plan and an Action Item update for objectives that were identified during our last strategic planning sessions. The list of action items include the

progress LLP has made during the last year toward meeting those action items. Pierce believes March would be a good month to have a Strategic Plan review session where we can update the plan, review action items and modify any goals and objectives based on accomplishments and current perspectives of the Board.

- **Pilot Meters**: We met with Elster this week and they presented a plan for implementing/installing the balance of the new meters. We were not pleased with the proposal and sent them back to sharpen their pencils and look at alternative strategies. The main issue was an annual maintenance and upgrade fee that seemed to be excessive.
- **Ventures LLC Building Service Update**: Pierce reported on phase two of the project, which is the underground (river) boring and new conductor. The work is being bid out and is anticipated to begin this Spring. We reviewed the materials bid above as well as the projected costs for the remaining project. A discussion occurred of options to remove Comcast and Lowell Schools lines off the river poles and into the conduit under the river so the poles could be removed from the river.
- **Annual Budgeting**: Pierce provided a long-range financial planning model. This data is used as a “big picture” for preparing the 2012-2013 fiscal year budget. A draft budget will be prepared and reviewed at the March meeting. A draft budget will be provided to the City in March and we will continue to tweak the numbers as more actual data becomes available throughout the spring. A few changes have already been made in the last week. The OPEB budget has been reduced as well as our bond payment could be reduced by \$30,000/year if we refinance after June 1<sup>st</sup>. Pierce reported operating and net income are looking good as we review the model projections. The budget is a work in progress until the final budget is approved in May.

Pierce provided an itemized list of capital budget expenses and reviewed in detail each line item for FY 2012. The 2011-2012 Plan was revised to more accurately reflect the purchase of the Combustion Turbines and where the money for those purchases came from. Also included was an accounting of where we stand with each item in the 2011-2012 Plan. A draft of 2012-2013 Capital Project Plans was included for review.

- **New Generation:** Pierce stated he received the final paperwork from Ford with respect to the purchase of their combustion turbine, and is in the process of reviewing it. He will give an update at the next meeting. We are waiting for the engineering estimates for the mechanical and electrical hookup of the turbines.

We are still working out the details of the gas supply for the units. Our meeting with Consumers last month confirmed they would only supply us the gas needed for the units during our peak season, May through September. This will get us started and we will continue to pursue other possibilities for full time gas supply. We will look at some of those options when we review our Strategic Plan at the March meeting.

- **Holiday Party:** Pierce stated the holiday party was a success. He thanked Perry Beachum for facilitating the white elephant activity and Greg Canfield for allowing us to host the party at the Main Street Inn.
- **Payables:** Pierce provided the January 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.

II. **NEXT REGULAR LLP BOARD MEETING:** The next scheduled Board meeting will be held, Thursday, March 8, 2012.

III. **BOARD COMMENT:** Howe commented without going into detail he believed in the next 6-12 months another 25-30 jobs would be coming to Lowell.

Beachum stated APPA magazine included available Board workshops. He would like to see an on-site workshop scheduled for not only new Board members, but as a refresher for current members. He felt we could possibly partner with other surrounding communities in bringing this workshop to the area. Beachum inquired if LLP had a cell phone use policy regarding cell phone use while driving. Russo stated no company policy was needed; it is a Federal motor carrier law, no cell phone use while driving.

Canfield congratulations Perry and Teresa Beachum on receiving Person's of the Year Award.

IX. **ADJOURNMENT**: There was a motion by Johnston and a second by Beachum to adjourn the meeting at 7:33 p.m. The motion passed by a unanimous vote of the Board.

---

Chairman Canfield

---

Date