

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

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order at 5:30 p.m. by Chairman Canfield. Present were Beachum, Cadwallader, Canfield, and Johnston. There was a motion by Beachum, seconded by Johnston to excuse Laponsie. The motion passed by a unanimous vote of the Board. Also present were General Manager Pierce, Electric Distribution Manager Russo, Chief Accountant Donkersloot, Utility Services Coordinator Morris, Mayor Hodges and Lowell City Manager Howe.
- II. **APPROVAL OF AGENDA:** There was a motion by Beachum, seconded by Cadwallader to approve the agenda as presented. The motion passed by unanimous vote of the Board.
- III. **APPROVAL OF MINUTES** (July 12, 2012 Regular Board Meeting). There was a motion by Beachum and a second by Johnston to approve the July 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. **Approval of benefit revisions for New Employees:** Pierce stated several times over the past couple years discussions have occurred regarding the need to evaluate some of our benefits and try to minimize our legacy costs. Pierce reviewed benefits for current full-time employees and discussed recommended changes for new hires. The first item would be to move to an 80/20 split from 90/10 with the employee for health and dental insurance. The second item would be to change our pension plan. Pierce believes the Hybrid Plan would be the best option offered by MERS. The Hybrid Plan was designed specifically for employers who currently have a Defined Benefit Plan (as we do). The plan protects the existing defined benefit plan by keeping a level of defined benefit contribution in the pension mix while lowering our overall contribution costs for the future. The employer is also allowed to contribute to the employees defined contribution fund. We could

contribute a percentage to the fund (less than the employee up to a max).

The last area is the health insurance benefit for retirees. Currently we pay 90% for the retiree and spouse for life. After 65, the premium cost for health insurance drops dramatically from that of our Priority Health Plan because the insurance is supplemental to Medicare. Pierce believes it would be best to offer a plan similar to the City and cover the employee and spouse to 65 at a 70/30 or 60/40 premium split and at the same time encourage participation in the HSRA (Health Savings Retirement Account). This allows the employee to contribute, pre tax, to an account specifically designed to pay medical and or insurance costs after retirement. Pierce indicated these changes would reduce our benefit legacy cost by approximately \$6 million over the next 30 years.

These changes could be implemented immediately for any non-union employees hired; it would have to be accepted as part of the current contract negotiations to apply to bargaining unit positions.

There was a motion by Johnston, seconded by Cadwallader to make the following benefit changes for new employees:

Group Health Insurance

- LLP pays 80% of total cost monthly; Single, Double, & Family

Group Dental Insurance

- LLP pays 80% of total cost monthly, Single, Single + Spouse, Single + Child & Family

MERS Pension/Defined Benefit Plan

- MERS Pension – Hybrid Plan
- Defined Benefit Portion – 1.5% per year factor paid by employer
- Defined contributions Portion – Minimum of 1% contribution paid by employee with maximum of 15% contribution; employer will match up to 5%

Retiree Healthcare

- LLP pays 80% of total cost monthly; covers retiree & surviving spouse to age 65
- Match 2% of salary to an HSRA account while they are an active employee

The motion passed by a unanimous vote of the Board.

- B. Approval of APPA DEED Grant Acceptance:** Pierce mentioned a couple months ago we received a \$75,000 APPA Deed Grant toward the bio-digester project at Chatham. The award has been made official and the Grant Acceptance documents are ready to be signed. The City attorney, Dick Wendt, has reviewed and approved the Grant documents. The final step is for the Board to approve acceptance of the Grant and the signed document by Pierce be returned to APPA.

There was a motion made by Beachum, seconded by Cadwallader to accept the \$75,000 APPA DEED Grant. The motion passed by a unanimous vote of the Board.

IV. INFORMATIONAL ITEMS:

- A. Performance Data:** Pierce reported to the Board the Total Requirements and Peak data for June performance data. Total Electric Requirements were up significantly from the previous month and year. Peak demand was at 14.378MW which is up over 26% from the previous month and up over 5% from the previous year. Although these numbers are high due to warm temperatures, our all time high was 14.925 in July 06.

Pierce reported July was a hot month; total sales were up over 13% from the previous month and the previous year. Residential sales were up significantly from the previous month and the previous year. Our residential customer count was up from the previous month and previous year. Our Commercial customer count is the same as last month. Commercial customer sales were up from the previous month and previous year.

The delinquent accounts are down from the previous month and the previous year. The balance after shut offs are up from the previous year and down from a year ago. The delinquent amount still owing

from June was down from the previous month and significantly down from the previous year.

The overall cash and investments are consistent from the previous month. Pierce reported the quarter end figures; residential customer's average usage and average bill is slightly higher than the previous quarters, however not as high as last fall. Commercial customer average bill and usage is up slightly from the previous quarters. The aging analysis totals are consistent with the previous month, significantly down from two months ago.

- B. Income Statement (July 2012):** Revenue was slightly under budget. Purchased Power expenses were close to budget (only over by 1.65%) for the first time in a long time. Most other operating expenses were under budget.

Our Operating Income for the month of July was over \$96,000. We had a net income over \$55,000 for the month of July.

Pierce stated Capital Expenses for the month July were around \$50,000, the summary shows the breakdown by category.

Pierce reported several outages occurred in the month of July for various reasons; blown line fuses, trees limbs on power lines and a jumper broken by an animal. There were 11 outages total, affecting 2858 customers for a total 134,422 minutes. There was heavy rain and winds which played a significant part in these outages. The outages barely affected our 12 month outage statics which reveal we are still available 99.97% of the time. The majority of the crew's work was spent on getting the Combustion Turbines in place and tree trimming.

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

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

MMEA: The Great Wolf Lodge is moving forward, it was heard in Circuit Court. The Circuit Court Judge asked the MPSC to make a ruling on Consumer's right to serve in this case. Once the MPSC has a chance to review, it will go back to Circuit Court for final ruling.

MPPA: Is working with us and for us on our 6 miles of transmission line to make sure we stay out of the BES (Bulk Electric System).

We are in the process of converting the Kalkaska CT to a new gas supplier. We have used Mich Con for the past 10 years; we are switching to ANR which has much better pricing. In order to change providers they have to change the metering system. They are going to shut down Kalkaska in the month of November to make that conversion.

As we begin ramping up with the bio digester, MPPA is helping to find a party interested in buying our share of the Granger Landfill Gas.

Our contract is up for our EO contractor at the end of this year. MPPA is sending RFP's to secure a contractor to work with us on our EO. Pierce stated we would be interested in choosing an EO contractor where we could do all a carte programs. Several programs we are implementing in house and doing the reporting ourselves.

Pierce attended a MEPC (Michigan Energy Provider Conference) last week and learned a lot about the gas business. Pierce had a very positive meeting this week with a gas supplier to work on the capacity needed to run the turbines twelve months a year.

- **System/Generation Upgrade Progress:** The mechanical and duct work for the Combustion Turbines is out for bid and we plan to begin reassembly of the two units into their new configuration this fall. The air permitting application has been filed for both turbines and construction of the generation interconnect line connecting the turbines to our system has begun.

We still have not determined how to proceed with the boiler from the Ford site. It is still being staged at the Rawsonville facility until we make a final determination. It appears the boiler may be able to be shipped cost effectively by rail.

- **Biodigestion Update:** SPART is working through a few minor changes on the contract with Litehouse to finalize the agreement. The latest modifications to the facility necessary to meet the needs of the Litehouse pre-treatment system appear to be minor and SPART plans

to get final landscaping and signage approved at the September Planning Commission meeting.

- **Strategic Plan:** We have spent time on Strategic Planning the last two months and staff is working on recommendations, feasibility and timetables for action items to meet the Strategies/Goals suggested by the Board.
- **Building Maintenance:** Pierce stated the restoration of the Broadway St. building from its mold issue is progressing very well. Pierce indicated at the last Board meeting he was not pleased with the bids he had received. During the review process, Pierce found an old file in his office which had information about the contractor who provided sealing service in the past. He was surprised to find the building had window caulking, mortar re-pointing and sealing done in 2007, with a 20 year warranty. After a few discussions with the contractor, they have agreed they had not done a sufficient job the first time and would re-caulk, re-point and reseal the entire building under warranty.
- **Lowell Transmission Line:** On various occasions over the past two years we have discussed our six miles of transmission line that extend from the Bowes Rd. substation to a main Consumers substation northwest of Lowell. Pierce reported during his participation in the MEPC (Michigan Energy Provider Conference) last week, he talked with the ITC rep for our area. They were originally interested in buying the 6 miles of transmission, however, they determined it was not something they could add into their rate base; therefore they were not interested. The conversation led to discussions on the bio-digester project. As it turns out, if there is more than one interconnection on a radial transmission line it changes the line classification. This change in classification would make a transmission line a meaningful asset to a transmission owner like ITC. If we were to connect the biodigester directly to our 6 miles of transmission line, just upstream of our substation, it would qualify as a second interconnect, change the classification of our transmission line and possibly be an asset that ITC would be interested in buying.
- **Board Employee Committee:** Pierce reported the Board employee committee met this week on a Grievance. The members of that committee requested additional information, which was provided to

them. They will be submitting a report to the Board for the September meeting.

- **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, Thursday, September 13th, 2012.

VIII. BOARD COMMENT:

Johnston stated with the possibility of the ITC transmission sale, finding the warranty document, and the new benefits for new hires, he applauds management to continue to be innovative in long-term thinking.

Beachum thanked Lowell Light and Power employees for their support in the Pink Arrow Community Day and assisting with the banners on Main St. The Pink Arrow Pride is a finalist for the Chase Bank Community Grant and you read more in the next few weeks on how the Community can help with awarding these Grants.

Beachum also thanked employees who were tree trimming in the area of his parent's home. His father fell and the employees kindly assisted in getting him up. Beachum would like to have LLP look into the cost of putting defibrillators in the City and LLP vehicles.

Although Beachum was not at the City Council meeting, he read a statement written by him to address several issues that were reported in the Lowell Ledger. He reiterated the comments were from him and not the full LLP Board. This statement can reviewed on www.wlhrsradio.org

City Manager, Mark Howe mentioned the City is applying for a Grant for AED's as a City-wide project which would include Lowell Light and Power, Lowell Area Schools, Fire Department, Chamber and Library. He also discussed the possibility of training police officers to become first responders, since they are always the first on the scene.

Canfield commented he would like the residents to hear both sides of the negotiation story so they have the correct information before making conclusions based on Lowell Ledger reports.

There was a motion by Beachum and a second by Johnston to go into closed session for the Contract Negotiations at 6:52 p.m. The motion passed by a unanimous vote of the Board.

There was a motion by Beachum seconded by Johnston to come out of the closed session at 7:13 p.m. and return to the regular meeting. The motion passed by a unanimous vote of the Board.

IX. **ADJOURNMENT**: There was a motion by Beachum and a second by Johnston to adjourn the regular meeting at 7:14 p.m. The motion passed by a unanimous vote of the Board.

Chairman Canfield

Date