

MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF DECEMBER 13, 2012

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order at 5:32 p.m. by Chairman Canfield. Present were Beachum, Cadwallader, Johnston and Laponsie. Also present were General Manager Pierce, Chief Accountant Donkersloot, Electric Distribution Manager Russo, Utility Services Coordinator Morris, Mayor Hodges and Lowell City Manager Howe.

- II. **APPROVAL OF AGENDA:** General Manager Pierce made one addition to the agenda, under Action Items E. Boiler Transportation. There was a motion by Laponsie, seconded by Johnston to approve the amended agenda. The motion passed by unanimous vote of the Board.

- III. **APPROVAL OF MINUTES** (November 8, 2012 Regular Board Meeting & November 8, 2012 Closed Session Meeting). There was a motion by Beachum and a second by Cadwallader to approve the November 8, 2012 Regular Board meeting minutes as presented. The motion passed by a unanimous vote of the Board. There was a motion by Beachum and a second by Laponsie to approve the November 8, 2012 Closed Session meeting minutes. The motion passed by a unanimous vote of the Board.

- IV. **PUBLIC COMMENTS** (Items not on the agenda): There was no public comment.

- V. **ACTION ITEMS:**
 - A. **LLP Annual Audit for FY 2012:** Peter Haefner of Vredeveld Haefner LLC gave a brief presentation on the audit. Peter stated that the Utility received the highest opinion one can receive for an audit. Peter reviewed slides from the year-end financial statements which highlighted his conclusions.

A motion was made by Johnston to accept the audit as presented, supported by Beachum. The motion passed by a unanimous vote of the Board.

 - B. **MERS 2013 Retiree COL:** Pierce reported, based on discussions from last month's meeting, that staff had requested a valuation from MERS to determine the cost of providing 1.5% retiree COL increase for 2013 through the MERS Flexible E benefit option. The valuation back from MERS in line

with what we expected. The dollar amount to be paid upfront for the 2013 benefit would be \$29,722.

Pierce recommended the Board adopt the Flexible E benefit option for retirees with a 1.5% COL increase (\$29,722).

There was a motion by Beachum to accept the Flexible E benefit option of a 1.5% COL increase for 2013, supported by Laponsie. The motion passed by a unanimous vote of the Board.

C. Holiday Ham/Turkey Benefit

Pierce stated the distribution of a Holiday Ham or Turkey to employees is technically a benefit and should be recognized as such for tax purposes. Municipal entities are not allowed to “give things away”. Therefore staff has developed a statement (Section 6.12) to be included in our Personnel Handbook recognizing this as a benefit. The Board had discussion regarding changing the statement language from “will” to “may” so that we are not necessarily locked into giving a ham/turkey every year.

There was a motion made by Beachum, seconded by Cadwallader to include Section 6.12 under Miscellaneous Benefits as modified above. The motion passed by a unanimous vote of the Board.

D. Approval of Building Mold Abatement Invoice: Chairman Canfield excused himself from the discussion since Canfield Plumbing does work for the company in discussion. Canfield turned this issue over to Vice Chairman Johnston as he left the room.

Pierce stated the final invoice was higher than anticipated. There were two primary reasons for the invoice being higher than the estimate. First, during the abatement process, it seemed prudent to remove as much of the old wall paper (currently falling off the walls) as possible and paint areas that could be easily accessed in the attainment areas. The inclusion of extra interior walls where old wall paper was removed and the extra surfaces skim coated and painted increased the cost. Secondly, part of the containment procedure was to recycle air. They intended to use our ventilation system however it was determined our interior duct work was not able to handle the required abatement airflow according to protocol. Therefore, additional equipment was brought in to properly circulate air in the containment zone during abatement. This additional equipment also increased the cost.

Beachum made a motion to approve Servepro's final invoice of \$32,400.79, supported by Laponsie. The motion passed by a unanimous vote of the Board.

E. Boiler Transport: At last month's meeting major discussion occurred on pros and cons as well as risks involved in moving the boiler. At that time, the Board decided to proceed with tipping the boiler on its side and properly shoring the boiler since this was more cost effective. Our mechanical engineer determined additional shoring was needed. The rigging company incurred additional expenses meeting the demands from Ford. Based on the additional shoring and framing that needed to be done to insure safe transport, the rigger incurred approximately \$40,000 in additional expenses. Pierce and Russo negotiated that down to \$17,500. The boiler will be loaded next week and delivered to Chatham.

There was a motion by Beachum and a second by Caldwellader to approve the additional \$17,500 for the increased shoring necessary for transporting the boiler. The motion passed by a unanimous vote of the Board.

IV. INFORMATIONAL ITEMS:

A. Performance Data: Pierce reported on the two final components for the October performance data. Total electric requirements were 5,843,059 kwh, which is up 2.4% from the previous year and peak demand was up slightly, 2.5% from the previous year.

November revenue is up 13.9% from the previous year. Total residential and commercial customer count is up slightly from the previous year.

Delinquent accounts are down from the previous month and the previous year. The balance after shut offs is down significantly from the previous month and from a year ago. The delinquent amount still owing from October is down from the previous month, only \$85 outstanding. The overall cash and investments are holding steady.

The aging analysis revealed overall lower outstanding totals than the past couple of months.

B. Income Statement (November 2012): Pierce reported November was a very good sales month. It was colder than anticipated, total revenue was up

\$20,000 over budget. Total Operating expenses are under budget in every major category except Purchased Power where we are over budget approximately 5% for the year. Pierce described our Purchased Power costs don't always coincide with our usage based on how our Purchased Power is billed from MPPA. Other expenses are all in line.

Total Operating income was \$63,000 for the month of November. Pierce reported with the bond refinancing we incurred \$26,000 of interest expensed in November for our old bond period. Our Net Income was \$13,000.

Pierce stated Capital Expenses are on track for the month of November. Remaining budget for the year is \$380,000.

There was one outage in November. One customer was out for 48 minutes due to a squirrel. Our outage statistics still indicate we are available 99.98% of the time.

Most of the crew's hours were spend on Hurricane Sandy assistance and overhead line maintenance.

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

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

MPPA: Pierce reported there is a lot happening in Lansing on the legislative front. The Right to Work legislation passed; likely something will be out soon on the Emergency Manager and Personal Property tax legislation.

MMEA: Pierce reported on the "Right to Serve" outside our City limits. MMEA is currently working on a case in Holland, similar to the Great Wolf Lodge case. The Circuit Court Judge asked for intervention by Michigan Public Service Commission (MSPC) to make a ruling on whether The City of Holland or Consumer's has the "Right to Serve" the customer based on the circumstances. The MSPC declined to make a ruling, saying they did not have jurisdiction over all the parties in the complaint. They handed it back to Circuit Court to make a decision. The issue in the transmission case in the thumb against ITC was heard in Michigan Circuit Court. The court agreed ITC began the process of building a major

transmission line without the proper approvals. MMEA did win, however they ruled “prospectively”, in other words, on any new transmission builds. They are not doing anything with the current case. MMEA is debating if they will continue pursuing the existing case. ITC is doing a huge overbuild at the expense of our customers.

- **System/Generation Upgrade Progress:** Pierce reported the air permit was received today from the MDEQ. We can now move forward on the Combustion Turbine installation.

The boiler is expected to be here Monday.

Pierce stated discussions continue with gas suppliers. Pierce stated he would like to schedule a work session in the next couple months to discuss specifics.

- **Biodigestion Update:** SPART is getting closer to having everything in place to begin final document review. All feedstock agreements are in place except Litehouse. Two major investors have committed to the project based on the current pro-forma projections.

The City Assessor has placed a value on the portion of property we would sell to Spart at \$445,476. Pierce believes this is based on purchase price, not market value. This may need to be appraised by an independent real estate appraiser to obtain a current market value figure.

- **Strategic Plan:** Pierce reviewed details of the updated Strategic Plan based on the input from the Board.
- **Lowell Transmission Line:** ITC has asked for a diagram of how the biodigester might be hooked up to our transmission line (ie the interconnect configuration) to determine if they would be interested in purchasing our six miles of transmission line.
- **Succession Plan:** Pierce stated a minor revision was made to this plan, based on last month’s Board comments.
- **Holidays:** The LLP Holiday luncheon is schedule for Monday, December 17th at noon and the City Holiday luncheon is scheduled for Friday, December 21st at noon. The City is working on the City-wide after holiday

gathering. Preliminary dates are January 12 or 19, possible location is the Museum.

- **Meters**: The defective Elster meters installed a year ago have been replaced with new meters this week.

Pierce discussed the Monitor Lending Program we are partnering with Lowell's Kent District Library. They will have available KW monitors for our customers to sign out, similar to a book. This program will begin in January 2013.

- **Payables**: Pierce provided the November 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.

F. **Hurricane Sandy**: Russo gave an update on details of the crew's assignments and experiences while out East restoring power.

VII. **NEXT REGULAR LLP BOARD MEETING**: The next scheduled Board meeting will be held, Thursday, January 10th.

VIII. **BOARD COMMENT**:

Cadwallader and Johnston thanked Russo, Droog and Barnes for their diligent efforts to assist with Hurricane Sandy.

Johnston and Canfield congratulated LLP on a great audit. They stated; it is exciting to see where the Utility has come from and the positive direction it is heading.

Beachum stated he would like to have LLP look into wind power generation, costs and feasibility for our community. Beachum expressed his frustration toward resident's writing negative comments in the Ledger. He specifically invited Mr. Howard to attend LLP Board meetings. Beachum stated he has been on the LLP Board for over 7 years; Mr. Howard has never attended a Board meeting, yet continually criticizes the way LLP is doing business, without any facts. Beachum stated comments to LLP should not be directed at City Council meetings. There are two negotiations going on, one with City

employees and one with LLP lineman. All comments regarding LLP should be directed to the LLP Board.

Mayor Hodges thanked the City Manager Howe who has been very busy. Mayor Hodges said “we are proud of his work and efforts in the community”. They recently, met with the rental rehab, revitalizing downtown. Howe has been very involved with the East Riverbank development and the DNR Trust fund and all that will bring to us in the coming years. Hodges thanked LLP for decorating the tree and their efforts in making this a great community.

Chairman Canfield echoed comments on a successful audit and thanking the crew who went out east to assist in Hurricane Sandy.

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

There was a motion by Beachum seconded by Laponsie to come out of the closed session at 7:27 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 Laponsie to adjourn the regular meeting at 7:28 p.m. The motion passed by a unanimous vote of the Board.

Chairman Canfield

Date