

**Minutes for the
Board of Lowell Light & Power's
Regular Meeting – September 14, 2017**

I. CALL TO ORDER AND ROLL CALL:

The meeting was called to order at 6:04 p.m. by Chairman Beachum.
General Manager Steve Donkersloot called the roll.

Present: Board Members: Perry Beachum, Andrew Schrauben,
Tina Cadwallader and Jim Salzwedel

Absent: None

Also Present: General Manager Steve Donkersloot, Utility Services
Coordinator Sharon Morris, Staff Accountant Julie
Stewart, Distribution/Transmission Manager Ryan
Teachworth, Generation Superintendent Doug Barnes,
Human Resource Manager Anna Lindhurst, President of
UFS Mark Beauchamp

II. APPROVAL OF AGENDA:

It was MOVED BY SALZWEDEL, SUPPORTED BY SCHRAUBEN, to approve the
agenda as presented.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

III. APPROVAL OF MINUTES:

It was MOVED BY SCHRAUBEN, SUPPORTED BY CADWALLADER, to approve
the September 14, 2017 Regular Board Meeting Minutes.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

IV. PUBLIC COMMENTS (for items not on the agenda):

There was no public comment

V. ACTION ITEMS:

A. Approval of New Electric Rates

During our May Board Meeting, Mark Beauchamp, President of UFS, presented the results of our cost of service and rate design study. At that time, the consensus by the Board was to have UFS design our rates using their recommended increase of 1.45%/year to the base rate with a 1.00% bandwidth over the course of the next five years.

USF used those parameters to develop the electric rates they recommend that we adopt. Mark Beauchamp presented the new rates and answered questions from the Board.

It was MOVED BY SALZWEDEL, SUPPORTED BY SCHRAUBEN, to adopt the recommended rates by UFS. The rates will become effective 30 days after they have been filed with the Clerk as a public record, per the Charter.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

B. Adoption of Cash Reserves Policy

A Cash Reserves Policy has been discussed, and was developed by UFS. This is important so that the Board, staff, and LLP's ratepayers understand (if they so wish) that there is a formal methodology and rationale for how and why LL&P keeps a certain amount of cash on hand.

The Cash Reserves Policy was presented by Mark Beauchamp, President of UFS.

It was MOVED BY SALZWEDEL, SUPPORTED BY SCHRAUBEN, to approve the Cash Reserves Policy, which will be inserted as Policy 5-16 in LL&Ps Customer Account, Billing and Administrative Policy book.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

C. Adoption of Economic Development Rate

UFS developed an Economic Development Rate. As a refresher, this is an Action Item in our Strategic Plan Action list. The purpose of an Economic Development Rate is to attract economic development in our community.

A three-year and five-year plan was presented by Mark Beauchamp, President of UFS.

The Board had many questions and would like Steve to talk with the City and the Chamber about their economic development plan.

This was tabled for the next meeting.

D. Adoption of LL&P Contribution for Line Extension Policy

In our Engineering and Operating Policies, 6-8, we have a LL&P Contribution for Line Extensions Policy. The purpose of this policy is to ensure that new and existing customers receive the appropriate construction contribution credit from LL&P that is fair and equitable to the other customers in the same rate class. This policy will also ensure that if the cost for an extension is more than the determined construction contribution credit, the customer can be billed their fair share of the line extension's cost.

Mark Beauchamp, President of UFS, developed the Line Extension Policy and gave the Board a detailed report.

It was MOVED BY CADWALLADER, SUPPORTED BY SCHRAUBEN, to adopt the Line Extension Policy which will replace the current policy in place.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

E. Adoption of Distribution Generation Policy

There has been a lot of buzz in the industry regarding distributive generation, or the ability for electric customers to produce their own energy while being interconnected to the grid/utilities (such as residential rooftop solar). APPA's RP3 Program is recommending that all electric utilities have an Electric Interconnection Policy and Net Metering Rate. Distributive generation is becoming more common. It is better for a utility to have a policy in place before a customer makes a request to install a generating unit than afterwards; in other words, it's better to be proactive than reactive.

Donkersloot reviewed the detailed Electric Interconnection Policy. The policy spells out exactly how a customer must go about installing their generating unit, how large it can be, what safety measures are needed, and what our rights are as the utility if they would like to pursue installing a distributive generating unit.

This policy has been reviewed, discussed, and modified by staff and our engineers, GRP. All are in agreement that this is an important step for us to take.

It was MOVED BY CADWALLADER, SUPPORTED BY SCHRAUBEN, to adopt the Electric Interconnection Agreement and make Policy 6-10 within LL&P's Engineering and Operating Policies.

F. Adoption of Cost of Service Study and Rate Design Policy

Staff recommended adding the following language to Policy 4, Rate Schedules.

APPLICABILITY

The Board will require a cost of service study and rate design to be performed by a third party at a minimum of every five (5) years.

PURPOSE

To ensure that the LL&P Board and staff are knowledgeable as the true costs to serve each customer class.

To ensure rates are designed so that LL&P meets its appropriate revenue requirements, which cover, amongst other things, operating and maintenance and capital costs, debt service payments, and the correct level of cash reserves.

To ensure rates are designed so that certain customer classes do not subsidize the costs of other customer classes.

To ensure LL&P meets the current standards of bond rating and/or credit rating agencies.

It was MOVED BY SALZWEDEL, SUPPORTED BY SCHRAUBEN, to approve the language change in Policy 4, Rate Schedules.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

G. Employee Handbook Modification

In July, the Board approved the working agreement between L&P and Local 876 of the IBEW. There were a number of changes within the agreement which should be made to the Non Union Personnel Handbook so that the non-union employees have the same benefits and standards and the union employees.

It was MOVED BY SCHRAUBEN, SUPPORTED BY SALZWEDEL, to approve the changes to the Non Union Personnel Handbook.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

H. Material Purchase for New Circuit #203 Project (Project #102)

A couple months ago, the Board approved GRP's Engineering Service Proposal for the construction of a brand new circuit, #203, on Bowes Road

from the substation to the north side of W. Main Street. As part of GRP's scope of work, they issued a bid request for materials needed for the project.

Bids were received by Power Line Supply (\$68,616.75), Resco (\$86,181.62), Wesco (\$80,901.06), and Irby (\$43,978.57). However, Irby did not quote all the materials or the correct wire.

Michael McGeehan, President of GRP, reviewed the bids and has recommended that we accept Power Line Supply's bid for \$68,616.75.

A portion of the project has been budgeted for in this year's capital budget and is the last piece of the project that needs approval. In addition, the project is projected to come in at or below budget.

It was MOVED BY CADWALLADER, SUPPORTED BY SALZWEDEL, to approve Power Line Supply's bid of \$68,616.75.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

I. Material Purchase for Substation Capacitor Bank Project #104

In March, the Board approved GRP's Engineering Service Proposal for the substation capacitor bank project (also known as Project #104 of our Five Year Plan). As part of GRP's scope of work, they issued an RFP for the materials needed for the project.

Controllix Corporation (\$72,024.00) was the only bid that was received. Elliott Industries, Inc. and Shallbetter Brothers Inc could not meet the required delivery date. Gilbert Electrical Systems and Power Line Supply did not have all the components and bids were received after the deadline.

Nick Abraitis, a project engineer at GRP, has reviewed and confirmed there is only one qualifying bid which is Controllix Corporation's bid.

It was MOVED BY SALZWEDEL, SUPPORTED BY SCHRAUBEN, to approve Controllix Corporation's bid of \$72,024.00.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

J. Standby Generator Purchase

Over the past year, there has been a lot of discussion regarding the purchase of a standby generator. A standby generator would allow LL&P to black-start the C.T.'s should our transmission line go down.

Staff has spent significant time researching the best option for this situation (new vs. used, trailer mounted vs. skid mounted, diesel vs. natural gas). It appears the best option is to purchase a used diesel skid mounted generator with at least 550kW to start the gas compressor and C.T.'s. Details of a used, 750 kW, skid mounted Detroit Diesel standby generator for \$31,500 was located.

It was MOVED BY SCHRAUBEN, SUPPORTED BY CADWALLADER, to approve the 750 kW Detroit Diesel standby generator for \$31,500.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

VI. INFORMATIONAL ITEMS:

- A. Performance Data:** Donkersloot reported on August data.
- B. Monthly Outage Report:** There were no outages in the month of August.
- C. Income Statement:** Donkersloot reported on the August 2017 Income Statement.
- D. Capital Projects Report:** Donkersloot reported on the August 2017 Capital Project Report.
- E. Manager's Report:** Donkersloot gave updates to the Board on the following items:

A. MPPA/MMEA/APPA Update:

- a. **MPPA:** Donkersloot gave an update from his meeting in Holland.
- b. **MMEA:** The Fall Conference is in Lansing, October 4th-6th.
- c. **APPA:** RP3 application is now ready to submit; the only missing information is the Distributive Generation Policy that was approved during the action items.

B. System/Generation Upgrade Progress:

- a. **Bio-digester:** Nothing new at this time.
- b. **Five Year Plan:** Equipment & materials needed for new circuit #203 project and substation capacitor bank project were addressed as action items.
- c. **Other System Projects:** The gas compressor arrived and is being installed.

The line department relocated two poles for the new bike path located between Gee Drive and Main Street.

- C. **White's Bridge Hydro:** Donkersloot is waiting for a revised proposal from Victor as a result of their negotiations
- D. **LL&P Long Term Natural Gas Supply:** The strip of land where Consumers Energy's gas regulating station needs to be located is City property as the land is in the City right-of-way.
- E. **Standby Generator & Gas Compressor Options:** Was discussed as an action item.
- F. **Community Solar:** The preliminary numbers indicate 8.5 cents/kWh.

G. **SUS Customer Platform/Application**: Testing for phase two is still underway.

H. **Fiber to the Home**: Nothing new at this time.

I. **Harvest Meadows Condominium Development**: The underground work is complete.

J. **Old Engine Room**: There is possible interest in leasing the engine room.

K. **Annual Audit**: Our annual audit took place the week of August 28th. We once again received a clean opinion. At our October Board Meeting, Peter Haefner, one of the auditing firm's partners, will make our annual audit presentation.

L. **Hurricane Irma**: Three of our lineworkers went to Florida to assist in restoring power for Florida Municipal Electric Association.

M. **Payables**: August payables were included.

F. **Schedule of Meetings**: September/October was presented.

VII. **NEXT REGULAR LL&P BOARD MEETING**:

The next Board Meeting will be held on Thursday, October 12, 2017.

VIII. **BOARD COMMENT**:

Salzwedel encouraged others to attend Fallasburg Festival, which is this weekend.

Schrauben was pleased Lowell lineworkers went to Florida to assist in restoring power after the hurricane. Congrats to Marty for being elected to the City Council. Andrew commented how his children look forward to Pink Arrow week, "to us it's a great event", to his children, "it's like a holiday".

Chambers commented when he put the application for City Council, he was hesitant because he didn't want to leave the LL&P Board. Marty is pleased he is the liaison now between the LL&P and The City.

Beachum thanked LL&P for all their volunteer help during the Pink Arrow week. Perry believes this event will continue indefinitely.

IX. CLOSED SESSION: Employee Employment Status Agreement

It was MOVED BY SALZWEDEL, SUPPORTED BY CADWALLADER, to go into Closed Session at 9:13 p.m.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

Roll Call Vote: Beachum, Schrauben, Salzwedel & Cadwallader – Present

Return from Closed Session at 9:51 p.m.

X. ACTION RESULTING FROM CLOSED SESSION:

Roll Call Vote: Beachum, Schrauben, Salzwedel & Cadwallader – Present

It was MOVED BY SCHRAUBEN, SUPPORTED BY SALZWEDEL, to approve the Employee Employment Status Agreement discussed in Closed Session.

XI. ADJOURNMENT:

It was MOVED BY SALZWEDEL, SUPPORTED BY CADWALLADER, to adjourn the Regular Board Meeting at 9:52 p.m.

Yea: 4 Nay: 0 Absent: 0 Motion Carried

Chairman Beachum

Date