

MINUTES
BOARD OF LIGHT AND POWER
AUGUST 7, 2008

Call to Order and Roll Call: The meeting was called to order by Board Chairman Canfield at 5:35 p.m. Roll call was taken. Present were Chairman Canfield and Board Members Beachum, Hall, Straub, and Valentine. Also present were Interim General Manager Pierce. Administrative Manager Sawka arrived at 5:50 p.m.

Approval of Agenda: Beachum asked to have added as Action Item IV, item F discussion about drilling holes for a gazebo for the Parks Commission at Stoney Lakeside Park. With the addition of Action Item IV, F, there was a motion by Beachum and a second by Hall to approve the agenda. The motion passed by unanimous decision of the Board.

Approval of Minutes of July 2, 2008: At the suggestion of Beachum, he asked that Mayor Shores name be noted as attending the July 2nd Board meeting. Also Beachum asked to have identified all members in public attendance. They were identified at Cheri Staal, Mr. and Mrs. Tony Ellison, Mr. and Mrs. Bob Wernet, and Ivan Blough. With the addition of the names listed there was a motion by Beachum and a second by Hall to approval the minutes of the meeting of July 2, 2008. The motion passed unanimously by the decision of the Board.

ACTION ITEMS

Account Payable for June 2008: With discussion regarding the correct spelling of the word vendor, the timing of Chairman Canfield signing the approved minutes, and the Nextel monthly expense, there was a motion by Hall and a second by Beachum, that the Accounts Payable for June 2008 be approved as presented. The motion passed by unanimous decision of the Board.

Beachum asked whether the utility paid a franchise fee in the City of Lowell. Pierce responded he did not think the utility pays a franchise fee but he will check into it further and bring verification back to the Board.

Compensation Study Documentation: Pierce updated the Board on the two proposals brought before the Board at the July regular Board meeting. The proposals were from Mark Beauchamp and Rehmann Robson. Beauchamp's price was 3,900.00 while Rehmann Robson's price was 7,500. Staff communicated with Rehmann Robson and it became apparent that they had bid on the assumption that the utility had nineteen employees. After noting that there were only ten or eleven employees (three employees are linemen) the expected cost dropped to \$4,500. It was Pierce's recommendation that the utility award the study to Rehmann Robson to get a new insight and thorough update of all position descriptions based on the \$375/per each cost. There was a motion by Hall and a second by Straub that the Compensation Study will be awarded to Rehmann Robson. The motion passed by unanimous decision of the Board.

Daffron Upgrade: Pierce updated the Board on the Daffron software upgrades. He expected the upgrade to start within the next six weeks and be completed by the end of the year. He also explained that the new upgrades would be able to include water and sewer billing. He said the approved budget included a line item for this activity at \$55,000. The updated figure from Daffron is \$49,780. However, this figure does not include the travel expense that will be incurred for the installation and training. It was the consensus of the Board that since this item was approved via the budget approval, no further action is required.

Pink Arrow Project: Beachum explained to the Board that at the first Lowell Red Arrows home football game the players will be wearing pink jerseys to bring breast cancer awareness to the public. Beachum would like the utility to be a sponsor and donate to this project. After some discussion it was moved by Hall, and seconded by Straub to donate to the Pink Arrow Project \$100 to be a Gold Sponsor with the funds to be taken from the marketing budget. Valentine recused himself for possible conflict. Of the remaining four Board members, the motion passed unanimously.

Discussion of Interims Employment Term: Canfield felt it was time to put an ad together and have it publicized in publications that would be appropriate. Canfield said Jim Weeks gave him the firm name of Mycoff and Associates who may be an appropriate firm to aid in the search for the utility's general manager position. He said rather than present a longer extension for Pierce he would encourage him to apply for the full time position along with any other candidates that may apply.

Hall said that so far all feedback he has received on the performance of Pierce has been excellent, but he also felt for the good of the community it was time for the utility to place an ad and look for a permanent general manager.

Straub feels that the utility needs to move ahead and get the organization stabilized.

Beachum hopes that Pierce will apply for the position.

Valentine said that he does not disagree with what the other Board members have said. He said he would not have a problem with setting an end date for the interim position and was not in favor with proceeding month to month until the general manager position is filled.

Beachum asked Pierce what would be his guess of how long it would take to find a general manager. Pierce replied that it is hard to tell because there are many variables. He said if there was someone hired by Thanksgiving, then the utility has done a good job.

Beachum said that perhaps the Board should set a goal with a date that they wish to have a permanent general manager position filled. It was the consensus of the Board that the utility proceed immediately with the general manager want ad and that no further action is needed at this time.

There was discussion on having the stipulation that the general manager must live within the community. Valentine thought that the limit set by law in Michigan is 20 or 25 miles for a municipal employee residency requirement. The Board was in agreement to use the ad that was presented by Pierce. Pierce asked what the timeframe was for the ad. He also thought that the procedure for using Mycoff would be that the utility has to engage the firm for a certain period of time. Straub asked what the cost was to engage Mycoff. Pierce responded that the usual cost is 30% of the general manager's first year salary. After more discussion it was the consensus of the Board to not engage Mycoff. It was at the suggestion by Canfield that the Board set up a review committee. Both Valentine and Canfield volunteered to sit on the committee. It will be their responsibility to review all applications and bring the top ten to the Board. The Board was in agreement that the ads will run starting by the 15th of August and be posted for 30 days (through the 15th of September), and the closing date for all applications will be September 30th.

Discussion of Gazebo Holes: There was discussion on the utility drilling holes for a gazebo at Stoney Lakeside Park for the Parks Commission. It was the consensus of the Board to estimate the time and approach the City to split the cost by deducting half from the PILOT program.

INFORMATION ITEMS

Performance Data: The Board reviewed the performance data.

Income Statement: Sawka went over the income statement with the Board.

Communications with the Board-Letter from Tony and Sharon Ellison: The Board read and reviewed a letter received from Tony and Sharon Ellison regarding tree trimming. It was the consensus of the Board to have a written form to give to customers with information on procedures in tree trimming, brush removal and stump removal or any replanting that would be done. Pierce said there is a form now that is taken to the customer home but it may need to be updated or tweaked in some way.

Manager's Report:

A. Pierce said that the unaudited year end financials for June 30, 2008 are showing a net loss of approximately \$240,000 when compared to the budget forecast is \$400,000 less than what was expected. This seems odd in a year where a rate adjustment of +6% was implemented and purchased power costs were down. Further investigation revealed that the utility has actually experienced a net loss in five of the last seven years and an operating loss in four of those same seven years. Based on this pattern and the current year's results a review and possible revision to the 2008-2009 budget will be completed. After that review/revision, a review of the long range financial projections will be completed to determine if the planned rate adjustments for 2009-2010 are still appropriate.

B. Pierce reported to the Board:

- The MPPA report of July 9th in Lansing. MPPA is embarking on a strategic planning session. Pierce suggested the LLP Board plan a couple of strategic planning sessions of its own before MPPA's so the utility can portray LLP's needs and expectations to the agency.
- MPPA's asking for approval for the new SCADA and data collection system. Pierce felt the recommendation was premature and voted against it.
- The recommendation from MPPA staff to engage URS engineering to perform a site study for a "Combined Cycle Combustion Turbine unit as a new project for MPPA.
- A study authorized by the Agency Commissioners to conduct modeling services projecting LMP (Locational Marginal Pricing) power flow analyses for pool members.
- A report was given on the status of the Kalkaska Ct. It is back online and running on schedule and has sold into the market in July.
- Belle River will be taking an outage in the fall during September and October. It was the recommendation of MPPA staff that the utility could weather the outage with current resources and not need to make alternative arrangements for backup generation or be subjected to the LMP significantly.
- Pierce was appointed to fill Tom Richards' position as chair of the Campbell 3 project committee.
- Jim Weeks (MMEA) gave an update on the status of current legislation. He believes a negotiated RPS is close and that PA166 passed making REA's (Co-ops) self regulating like municipals.
- The next few months will be critical for MPPA and the Power Pool. Reconfiguration is the most pressing and important issue facing the Agency in Pierce's opinion. The utility's involvement in that reconfiguration process will be paramount to LLP's future as a municipal utility.

C. Pierce felt it was necessary to fix the roof at the Chatham Street building. He believes that in the absence of leasing part of the building the utility could be utilizing it for inventory, and wire in particular should be moved inside. Prior quotes for roof repairs which were approximately \$60,000 should be updated by staff and a proposal should be brought back to the Board.

D. Pierce went over Energy Efficiency Programs with the Board. It was his request to accept Meijer's proposal to participate with LLP in promoting energy efficient products

and awareness. He asked the Board to allow staff to pursue a program promoting CFL's for example and to research possible programs for promoting energy star appliances and home/business energy audits.

E. General Manager position was in discussion earlier in this meeting.

F. Pierce reported on the electric system conversion status. He has asked Pete Malaney at GRP Engineering to provide a legible system configuration map that includes transmission, distribution, voltages, step downs and any other information that would assist the utility in visualizing the system. He also has asked Jeff Mullins to provide a flow chart of what he perceives as the steps necessary to get from where we are in the process to where we need to be. He has also asked GRP Engineering to give a proposal to complete a system wide survey in the Bowes Road interconnect transition and any other projects, if any, that should be considered during the overall process to keep the system healthy, up to code and on a maintenance plan. It is Pierce's hope to have that proposal in the next few weeks.

G. Pierce went over with the Board his plan for LLP's organization philosophy. He believes more crossover training is required, along with more cooperation and interaction between departments and that each employee must wear more than one hat. He presented a draft copy of his philosophy. All employees would report to and be accountable to the general manager. The general manager would be responsible for the annual evaluations of each employee with the assistance of team or project leaders. Team or project leaders would be responsible for seeing that specific tasks are being completed. Weekly meetings will be scheduled between the general manager and the team/project leaders to identify and schedule the tasks to be completed in that week and the employees assigned to those tasks. He requested from the Board to allow the utility to move toward this type of operational philosophy. Valentine felt it was not necessary to have a policy on this subject. He felt the day to day operations should be handled by the general manager. Straub felt that this philosophy should be on an interim basis. It was the consensus of the Board that Pierce move forward with this philosophy.

Web Site Update Report: Pierce presented the website update. A memo was received from Amanda Geiger reporting that it was her and Betsy's hope to have the website up and running by August 15th.

Schedule of Meetings: Pierce presented the schedule of meetings.

Complaint Register: There have been no complaints registered since March 2008.

Date of Next Regular Meeting: The date for the next regular meeting is September 4, 2008 at 5:30 pm.

PUBLIC COMMENTS

There were no public comments at this meeting.

BOARD COMMENTS

Valentine said it was nice to see everyone. He had no further comment.

Beachum asked Pierce to get a list of MPPA members who do joint electric and water/sewer billing.

Beachum also asked Pierce if he had had an opportunity to talk to Bieri Brothers about electric service for their gravel pit. They are currently running generators and are interested in getting the utility's electric service at their pit. Pierce had not had a chance to talk with them yet, but will follow up on the issue.

Beachum also really likes the information the Pierce provided to the Board this month. And he appreciates the work that Pierce is doing at Lowell Light & Power.

Straub had no board comment.

Hall asked if it was possible for Atwood, who is currently a Consumers Energy Power customer, to become a Light and Power customer. Pierce said that they can petition but the Lowell Light & Power cannot solicit. Pierce will follow up on the possibility.

Hall also asked if there had been any contact with the state representatives as far as what the utility would like. Pierce explained that the utility does that through Jim Weeks. Hall asked if perhaps the representatives should be approached by the Board as a group. Hall's main concern is clean coal and he feels the representatives are not expressing enough interest in this subject. He thought maybe the Board should talk to Dave Hildenbrand.

Canfield wanted to echo Beachum's sentiments and thank Pierce for the good job he is doing in getting the utility headed back in the right direction. He thanked Pierce for his efforts.

Pierce thanked the Board for their comments. He also wanted to thank Sawka for all of her assistance.

ADJOURNMENT

There was a motion by Beachum and a second by Hall to adjourn the meeting. The motion passed by unanimous decision by the Board. The meeting adjourned at 8:11 pm.

Chairman, Greg Canfield

Date