

Minutes
Board of Light and Power
Regular Meeting – April 5, 2007
LL&P Office

Call to Order: Chairman Austin called the meeting to order at 5:30PM with Board members Perry Beachum and Jim Maatman also present. Also attending was General Manager; Tom Richards, Operations Manager; Jeff Mullins, Administrative Manager, Mary Sawka and Council Members Al Mathews and Jeanne Shores.

Approval of Minutes: A motion was made by Maatman and supported by Beachum to approve the minutes of the regular March 1 Board meeting. Chairman Austin suggested the following revisions to the minutes:

- Revising a typographical error in the discussion of Accounts Payable
- Deletion of the reference to the financial contribution of the utility being “unappreciated”
- Rephrasing the comments about Council’s actions regarding the request for compensation for trees removed from Bowes Rd.
- Adding a clarification about embarrassment over how the current controversy appears to the public and in the media.
- Clarification of the remarks regarding his frustration that the issues haven’t been discussed rationally and reasonably in joint meetings with the Council.
- Clarification of remarks regarding the insignificant cost of mowing and plowing in discussion of the Payment in Lieu of Taxes.
- Clarification that it was not the intent of the Board to create additional work for the DPW

The proposed revisions to the minutes were supported and the motion passed with the unanimous vote of the Board.

Accounts Payable: The Board reviewed and discussed the list of February accounts payable. A motion to approve the full list of payables was made by Maatman and supported by Beachum. The staff provided clarification to specific items questioned by the Board including:

- Board member Beachum reiterated his encouragement that the staff steer purchases to Lowell merchants whenever possible and practical.
- The purchase of adhesive lettering to number the fleet vehicles.

The accounts payable was approved by a unanimous vote of the Board.

Consideration of Pickup Truck Bids: Richards expanded on a written brief he provided to the Board, explaining that because of his serious concerns about the original bid process and how it had been altered, he felt a new, more formal bid process was needed to insure that the purchase of a truck would meet the standard of being truly fair and impartial. He explained that in spite of last month’s approval, no purchase had been made. A new set of detailed bids was presented to the Board for consideration.

The Board reviewed the bid tabulation and the five vehicles that had been proposed by four Lowell dealers. Only three of those vehicles complied with the requested specifications. Richards presented staff’s recommendation, to accept the four-door Dodge

(factory order) vehicle from Grand Dodge at a cost of \$14,684 after trade of the 2004 Chevy Venture minivan.

Discussion followed that the recommended bid was slightly lower than the bid approved in March. Also discussed was the preference for a four-door vehicle for administrative use when three or more staff members may be traveling together.

A motion was made by Beachum to approve the Grand Dodge purchase as recommended by staff. The motion was supported by Maatman and approved by a unanimous vote of the Board.

Beachum thanked staff for the detail provided and the completeness of the bidding process. Staff clarified that the interest in a low mileage used vehicle was the only reason the full bid process hadn't been used the first time around.

Consideration of Contribution to City Tree Fund: Chairman Austin reviewed the discussion from the March meeting, and the City Council's request for compensation for trees removed from Bowes Rd. Austin indicated his support of some contribution to the City to help with establishing the tree fund and starting the work of adding new trees for the benefit of the City and its residents.

Discussion followed regarding the City's Tree Committee and the requirement of a minimum \$2 per capita in funding to meet the Tree City requirements of the Arbor Day Foundation.

Richards reminded the Board of the Charter's restrictions on expenditures of the Board's funds, and the "Benevolence Fund" contributions that are regularly made by the Board to support local needs and projects. He also reminded the Board of the Payment in Lieu of Taxes contribution, which is projected at \$257,000 for 2007-2008 and the annual increases by an average of \$11,000 each year.

Mayor pro tem Mathews and council member Shores discussed that the 'tree fund' had not been fully developed and that the source and amount of funding was still undetermined by Council.

Maatman questioned whether the City had funding plans beyond the funds provided by LL&P.

Austin and Beachum expressed support in making a contribution as a goodwill gesture to the City to help it establish and kick off its tree fund and tree management efforts. Providing the required funding for the first two years was discussed and supported.

A motion was made by Beachum and supported by Maatman to make a contribution to the City's Tree Fund in 2007 equal to the \$2 per capita (\$8,026) or a higher amount to meet minimum Tree City USA funding requirement. The funds would be donated when the City meets the other Tree City requirements. The Board committed to making an equal contribution on first year anniversary of the original 2007 contribution. The motion passed by a unanimous vote of the Board.

Mayor Pro Tem Mathews expressed his appreciation of the Board's contribution in view of the criticism it had received lately. He hoped that some results from the committee and the tree fund would be seen in the near future.

Council member Shores asked about the response to citizen requests for replacement of any trees removed. Chairman Austin clarified that the utility would be making a \$250 matching contribution to the City's tree fund for any trees removed, and that the City would be responsible for providing trees according to its established procedures under the new policy or ordinance.

Richards committed to drafting a letter to the City Council and City Manager announcing the Board's contribution.

Adoption of Schedule for Future Meetings: In response to the suggestion of pre-scheduling the Board meetings farther into the future, for more consistency, Richards proposed two alternate schedules options for the remainder of 2007

1. with meetings on the last Thursday of each month
2. with meetings on the first Thursday of each month

The Board considered both alternatives and discussed the staff concern that full financial data could not always be available as early as the last Thursday of the month.

Discussion followed about the occasional need to reschedule due to holidays or other personal conflicts. It was understood that the Board would still have the flexibility to occasionally shift a meeting to an alternate date.

A motion was made by Board member Beachum to adopt the schedule establishing the first Thursday of each month as the regular date for Board meetings. The motion was supported by Maatman and passed by a unanimous vote of the Board.

Performance Data: Richards reviewed financial, sales and performance data from the February operations of the utility compared to the prior month and the previous February. He noted:

- Significant increases in energy sales, both commercial and residential compared to the prior month and prior year, but both were fairly normal for a typical February.
- A near record level of residential electric (kwh) sales for the month.
- A peak number of commercial customers (425).
- Continued growth of invested reserves since the draw-down for the purchase of the Chatham street property.

Income Statement: The Board reviewed the utility's revenues and expenses for February as well as the General Manager's written summary describing all significant variations in revenues and expenses as compared to the budget projections and the normally anticipated levels.

Staff also provided a table showing the month-to-month amount for each category of expense and revenue from the beginning of the fiscal year.

Staff answered questions and provided clarification on items questioned by the Board.

Other Items: Richards updated the Board on topics including:

- A follow-up visit to the Washington Street property was made by the Michigan Department of Environmental Quality. The MDEQ investigators looked at all sites noted in the letter from Mr. Dietzel, but found no evidence of any spills or pollution. Documentation of their investigation had been provided to the Staff. The only action proposed by MDEQ was that the refuse piles on the site (believed to be Mr. Dietzel's) would require disposal of at a qualified hazardous waste facility.
- Richards' summary of a March 29 conference call where municipal leaders were updated on current legislative activity related to the revision or elimination of Michigan's "Competition and Reliability Act" PA 141.
 - A January 2008 deadline for municipal systems to "open up" to competition from alternative energy suppliers (AES), or lose the legal exclusivity to serve customers outside their municipal boundaries.
 - Discussion followed regarding the risks of losing LL&P customers and the potential of those customers being attractive targets of AES.
 - Also discussed were the somewhat complex steps that would be required of a customer if they desired to leave LL&P for an alternative provider.
 - Both the senate and house committees of the Michigan legislature have indicated that significant changes to PA 141 are likely before the summer recess.
- The "21st Century Energy Plan" proposed by the MPSC Chairman which included:
 - Construction of at least one new base load (coal) generation plant
 - A requirement for utilities to include a minimum percentage of "renewable" energy in their offerings
 - A program to promote energy efficiency
- The City had been notified of 47 additional city street lights that had been identified in a recent inventory of the system. The energy for these lights had not previously been billed to the City, but would be properly billed going forward at an estimated cost of approximately \$400 per month. DPW Director DesJarden has been provided with the current inventory for verification.
- The Campbell 3 generation plant was nearing the end of its extended outage for maintenance and emissions control upgrades. Last minute repairs to a generator rotor were needed, but the mid-April restart is still anticipated. Richards noted that the premium cost of "Back-up Energy" would be eliminated when the plant was back in full service.

Schedule of Meetings: Richards provided and the Board reviewed a schedule of upcoming meetings for the Board, the Lowell City Council, Michigan Public Power Agency and the Michigan Municipal Electric Association. Richards encouraged Board members to make use of the educational and networking opportunities available at the May MMEA spring conference, and the APPA national conference in June. Richards also provided three dates proposed by City Council for joint work-sessions of the Board and the Council.

Public Comment: City Council Member Shores expressed concern about the possibility of dumping or vandalism at the former warehouse property on Washington Street. She asked if LL&P staff still had occasion to go to the site. Staff responded that it still had some poles and transformers at the site, so the area would be checked on whenever there's a need to go to the site. She also felt that the recent joint work-session meeting was very productive and hoped that the schedule of future meetings would help keep a higher level of communication and understanding between the city leadership and the utility leadership. Richards expressed his regret that much of the recent controversy could have been avoided if leaders would communicate their questions and concerns promptly and directly, rather than raising them as issues in formal public meetings.

Mayor Pro Tem Mathews passed along the positive comments he had received in response to the recent "When I Own the Power Company" image advertising series.

Mathews also expressed his appreciation for Chairman Austin's leadership and service on the Board. Austin expressed his regret that his business demands had increased to a level that he no longer felt he could satisfy the necessary time commitment to the Board.

Next Meeting: The next regular meeting was set for 5:30 PM on Thursday May 3 at the Light and Power offices.

Adjournment: The Chairman adjourned the meeting at 7:03 PM.

James Maatman, Chairman

2 May, 2007