

MINUTES
BOARD OF LIGHT AND POWER
REGULAR MEETING OF April 29th, 2010

- I. CALL TO ORDER AND ROLL CALL:** The meeting was called to order by Chairman Canfield at 5:31PM. Present were Johnston, Hall, Canfield, Beachum and Valentine (James Valentine is a new Board member and replaces resigned board member Keith Valentine). Also present were General Manager Pierce, Administrative Manager Sawka, Utility Foreman Russo and Mayor pro tem Sharon Ellison.
- II. APPROVAL OF AGENDA:** Johnston made a motion to approve the agenda. The motion was supported by Beachum and passed by unanimous vote.
- III. APPROVAL OF MINUTES OF APRIL 1, 2010:** Beachum made a motion to approve the minutes of the April 1st, 2010 Board Meeting. Hall supported the motion. The motion passed by unanimous vote.
- IV. PUBLIC COMMENTS (items not on the agenda):** There was no public present so there was no public comment.
- V. ACTION ITEMS:**
- A. 2010-2011 Budget, Final Approval:** Pierce distributed a revised 2010-2011 Budget. He explained there were some errors in the copy that had been distributed in their board packets and he provided new documents. The total revenue shows less than a 1% increase over current year. Purchased Power costs show an increase of about 8%. Administrative expenses reflect an increase due to a change in allocation of some of staff's time and the potential for a new position to replace operations manager. The new position will include more administrative duties as well as key accounts and field duties. Pierce commented that collectively the staff has been committed to keeping costs down which continues to keep total expenses significantly below 2007 and 2008 levels. Overall an increase is projected in total expenses, which results in a decreased net income compared to current year. A small rate adjustment was used in the budget projection and may or may not need to be initiated.

Operating income will be healthy and sufficient to cover the capital budget for next year. The utility is looking very healthy.

A motion to approve the 2010-2011 budget was made by Beachum, seconded by Hall and passed by unanimous vote of the Board.

- B. Daffron Software Upgrade Approval:** Pierce explained the upgrade is a "Not to Exceed" contract for \$75,000. The upgrade will transfer the utilities financial side to a Windows based system. Two new components will be added, an inventory control system and a work order management system.

Beachum asked if Daffron was a utility specific software provider. Pierce indicated that they were. Beachum also wondered if this system would link us to the City's information and get us closer to joint billing. Pierce explained it is well equipped to meet those needs; a special program needs to be written to merge the two data sets. The program would cost around \$4,000.

Beachum made a motion to approve the upgrade to the Daffron system which was seconded by Johnston. The motion passed by unanimous vote of the Board.

- C. Capacity Purchase Approval:** Pierce gave details on how buying capacity is beneficial to the utility. Capacity reserves the utility the potential for purchasing power it expects to need in the future. The utility purchased less power than was recommended by MPPA during the last group purchase which turned out to be a good choice. The combination of the energy efficiency program and the slow economy continues to decrease the amount of power we require.

Pierce stated the utility is looking into purchasing power from Lansing Board of Water and Light instead of buying power on the market for any additional needs.

Beachum made a motion to approve the capacity purchase and Johnston seconded. The motion was approved by unanimous vote of the Board.

VI. INFORMATIONAL ITEMS:

A. Performance Data: Pierce commented the utility had a good month. Usage was up this month even though still down from last year. The utility is still showing a plus in the twelve month rolling average trend. Total sales are better than they were a year ago. Pierce explained the utility is down one more commercial customer (Pizza Hut) and down eleven from last year. Pierce and Mayor Hodges will be attending an Economic Development Conference to learn about ways to increase local business growth.

The residential customer count is up. The Whispering Hills development is moving forward.

The market was down in March but the cash is still in good standing. Peak is up a little from last year. Only down side is the aging analysis showing a significant increase in the amount of money outstanding 60-90 day past due.

B. Income Statement (March 2010): Pierce explained the revenue is up from last year, but still under budget. The total operating revenue is over budget. Expenses are under budget. The utility is showing an operating income for the month with an overall net loss of \$27,000. There were no large expenses that stuck out.

C. Manager's report:

- Pierce reminded the Board of the MMEA Spring Conference and the Annual APPA Conference coming up.
- Pierce discussed a potential threat for increased cost to the utility. A large transmission line is in the works from the Dakotas to the east coast to bring wind energy to market. The idea is to distribute the cost (26 – 40 billion) of the Super Green Highway over all potential customers. Michigan, however can not use this energy because our renewable portfolio standards indicate our renewable energy must be generated in Michigan. Therefore, we should not have to be a part of the socialized cost for this transmission. On another front, Michigan legislators

are pushing to build the transmission upgrade needed to bring wind energy out of the thumb area. The estimated cost for this transmission is \$500M and guarantees a 13.5% return to its investor (ITC). If these transmission systems get built and these cost are socialized over all electric customers, it could mean a 16% increase in electric rates.

- Pierce commented the staff is currently doing research on operating policies and will be revising them so they are current.
- Employee performance evaluations will be conducted in June 2010. Some job duties have been/will be reassigned and therefore some merit adjustments are warranted. A bucket, amounting to 2.75% of total salaries was included in the 2010-2011 budget. Merit increases will be given first and Pierce expects there would be approximately 1% left for a cost of living(COL) increase. Pierce discussed the potential COL increase with City Manager Pasquale. The City is not giving a COL this year, however, they did give a 2% increase last June when LLP held the line. Canfield commented the staff should be rewarded for the good job they've been doing.
- The utility is currently searching to fill the position of Meter Reader and an Energy Coordinator. The Energy Coordinator position will help with many duties such as: engineering projects, EO program, working with commercial customers on energy saving and economic development.
- Pierce provided a breakdown of the Benevolence Fund. Beachum commented this is helpful in showing exactly where all the funds are going.
- The line crew has finished setting all poles on Hudson and Riverside and lines have been transferred. The generators are going to be back online soon, to be ready for the summer. Small issue with the timeline on the Main Street bridge project between the utility and the contractors. Through discussion everything is back on track.
- Pierce presented the Board with the Payables. Canfield questioned the reason behind a payment to Comcast. Pierce will check into it.

D. Schedule of Meeting: There is not a schedule of meetings yet.

E. Complaint Register: No new complaints.

VII. Date of Next Scheduled LLP Board Meeting: The next scheduled LLP board meeting will be Thursday, June 3rd, 2010.

VIII. Board Comment: Beachum commented on getting our MERS funds up to 80%. The Board agreed on a workshop with the City to discuss the issue on May 11th, 2010.

Beachum questioned yard repair due to the Wolverine utility trucks. Suggested we take care of it before June. He also suggested the utility look into Hardings to roll out the track marks in peoples grass. Hall suggested we should look into someone local. Pierce will follow up.

IX. Adjournment: There was a motion by Beachum to adjourn and supported by Hall. The motion passed unanimously. Meeting adjournment at 6:40pm.

CHAIRMAN, GREG CANFIELD

DATE