

**MINUTES
BOARD OF LOWELL LIGHT AND POWER
REGULAR MEETING OF JUNE 5, 2008**

Call to Order: Board Chairman Canfield called the meeting to order at 5:30 p.m. with Board Members Beachum, Hall, Straub and Valentine present. Also in attendance were General Manager Richards, Administrative Manager Sawka, Operations Manager Mullins and Mayor Shores.

Approval of Agenda: Canfield asked to have an addition to the agenda in which the Board would go into closed session to go over a personnel matter.

Beachum asked if there would be any discussion regarding City Council Member Altoft's request for information. Canfield replied that he had talked to Altoft earlier in the day and asked what the basis was for the information that he was requesting. Canfield said that Altoft has agreed to withdraw his request at this time.

Valentine said from his email it was his understanding that there was a potential to talk about a potential policy regarding information requests. He asked if the Board would be getting into policy questions discussions at this regular meeting. After further discussion it was the consensus of the Board to discuss information requests policy in a future regular Board meeting.

There was a motion by Beachum to add Item VIII Closed Session for personnel matter and to move Adjournment to Item VIII. There was a second by Hall. The motion passed by unanimous decision of the Board.

Approval of Minutes of April 30 and May 21 Board Meetings: There was a motion by Beachum and a second by Straub to approve the minutes as presented of the regular Board meeting of April 30, 2008. The motion passed by unanimous vote of the Board.

There was a motion by Beachum and a second by Hall to approve the special Board meeting of May 21, 2008 as presented. The motion passed by unanimous vote of the Board.

ACTION ITEMS

Accounts Payable: There was a motion by Straub and a second by Hall to accept the Account Payable of April 2008 as presented. Staff answered Board member's questions regarding:

- Logo vests expense for Board members Straub and Valentine
- Logo shirts expense for meter readers
- Travel agency expense
- Amtrak travel expense

After explanations, the Board voted unanimously to pass the motion to accept the Accounts Payable of April 2008 as presented.

Richards added that there would be a travel policy brought to the Board in a future meeting.

Review & Consideration of Revision-Late Payment Policy: After some review of the policy and discussion by the Board, Straub made a motion to put in the policy a \$10.00 minimum. There would be no late charge applied to any balance under \$10.00. It was seconded by Beachum. The motion passed by unanimous decision of the Board. Richards noted that a notice of the revision of the late charge policy would be sent to each customer with the next statement billing.

Consideration of Joining MPPA Granger Renewable Energy Project: Richards provided earlier to the Board the purchase agreement contract so they could review it before this meeting. Richards said that both the resolution and the contract had been reviewed by the City Attorney who felt it had been well written.

Richards explained that currently a Renewable Portfolio Standard (RPS) bill passed by the Michigan House of Representatives will require all utilities to offer a minimum of 4% of their energy from renewable sources by the year 2010 with that number growing to 10% by the year 2015. The house bill does not exempt municipal utilities from meeting the RPS requirement.

Based upon Lowell's current energy requirements, the utility would need a minimum of 939 kilowatts of renewable energy to meet the 10% renewable requirement.

Based also upon the reliability and relatively low cost of renewable energy from this project, it was Richards' recommendation that the utility commit to a minimum of 1.4 megawatts, an amount capable of supplying 15% of the utility's current energy requirements.

After further discussion with questions by the Board and answers by Richards, it was Richards' recommendation that the Board would approve the resolution and agree to the contract. Straub made a motion to approve the resolution and agree to the contract of joining the MPPA Granger Renewable Energy Project. It was seconded by Hall. The motion passed by unanimous decision of the Board.

Establish Rate for Cable TV Power Supply Service: Richards explained that Comcast has eight power supplies on the utility's system and the rate the utility currently charges Comcast for the power to these power supplies is a fairly normal amount for an un-metered power service. Straub asked how much revenue would be generated through the rate agreement with Comcast. Richards explained that it would be about \$500.00 per month. Richards explained that this is just a formality. Comcast is paying the same rate but the utility has just never adopted it as an official rate. The rate that was established was with the help of Mark Beauchamp who is the utility's rate consultant. After a little

more discussion there was a motion by Beachum and a second by Valentine to accept the established rate for Cable TV power supply service to Comcast as presented. The motion passed by unanimous decision of the Board.

Removal of Doubtful Uncollected Debts from Receivables: Richards explained to the Board the need to remove from the customer accounts receivable balance those inactive customers who have not paid their accounts. These accounts have been on the books as receivables over the last 12 months. Removing these debts will show them as a loss for the current fiscal year and if not removed would show an exaggerated balance and not accurately reflect the financial performance for future periods.

Richards also explained that the utility does have a collection agency that would still have the ability to collect these written off debts in the future.

The amount to be written off this year is \$4,773.19 as compared to an average over the last eight years of \$6,200.00. Canfield said that it was encouraging that the amount to be written off is down compared to previous years. He said perhaps the current deposit policy is helping to keep the loss down.

There was a motion by Hall and a second by Straub to accept the Removal of Doubtful Accounts from Receivables as presented. The motion passed by unanimous vote of the Board.

INFORMATIONAL ITEMS

Payment-In-Lieu-of-Taxes – Annual Review Committee – Update: Richards updated the Board on the progress of the Committee for the Annual Payment in Lieu of Taxes. He said the committee was to have met on June 4th, but had cancelled the meeting and it was to be rescheduled at a later date. Straub, as a committee member, said she will keep the Board updated as to when the next meeting is scheduled.

Richards conveyed to Mayor Shores that the utility had been trying for two months to get the meetings going. Shores responded she had talked to City Manager Pasquale and they did not think there was a real hurry to get it done. She said part of the reason for any hurry earlier was because of Councilman Altoft's request of information of the utility. She said there is really no time limit but she would like to see it progress soon.

Richards asked Shores if there was any consideration by the Council that Altoft, having been a former Light & Power employee, may have some conflicting interest in this subject. Shores responded that there was none by the council. Shores said she will talk to Altoft and make sure there is no conflicting interest on his part.

Beachum asked Shores if the Council was foreseeing any big change in the payment in lieu of taxes number. Shores responded that, no, she did not think that that was the case.

Beachum's concern was any change in the payment in lieu of taxes would certainly affect the utility's budget.

Richards said all of the information that Altoft had requested has nothing to do with the revenue side of the utility, which is what the payment in lieu of taxes is based upon. Altoft asked for fuel information, payroll information, work and service orders, how the utility's crew and manpower is utilized and conference expenses. And none of these expenses has anything to do with the utility's revenue which is how the payment in lieu of taxes is determined. Shores said that the City Council did not request the information; Altoft is the one requesting information. Shores again said that she will talk to Councilman Altoft before this Board's next meeting.

Performance Data: Richards reported to the Board that there has been no real growth in residential customers, but there has been an increase in residential sales. There has been modest growth in commercial customers from one year ago. He reported that there is continued growth in investments and cash.

Richards has added for the Board's information what an average residential bill for a Lowell customer is compared to a Consumers Energy customer for the same amount of KWH usage. He reported that it is about a 20% savings. He will continue to report this so it can be monitored from month to month for the Board's information.

Richards also showed what the utility's contributions to community causes, such as the benevolence and tree fund, have been. He will report this each month for the Board's information.

Income Statement: Richards went over the income statement for the Board. He explained that there had been a \$10,000 loss for the month.

Manager's Report: Richards showed numerous pictures of the bolt failure in the generator portion in the Kalkaska plant turbine. He reported that the power turbine, a portion of the engine, is going to be removed and sent to Connecticut to be repaired. The cost is estimated to be about \$160,000 for both turbines. Richards said that the utility would be committing to one fifth that amount but it was the hopes that if the cause of the bolt failure was a design flaw the utility would expect Pratt Whitney to be responsible for it. Richards said that there have been 40 reports now of bolt failures from other companies. He said the repaired turbine should be back and working by the first week of July.

Beachum asked where the money would come from if the utility should have to pay one fifth of the cost of the repairs. Richards said that the utility has a 5 million dollar reserve fund for this project set aside. It is a cash invested reserve. Lowell has 6% or 8% of that invested reserve. He reported that it is a contingency fund that's necessary to operate this plant.

- **Vegetation Management Report:** Canfield asked where the utility stood on tree trimming. Richards said that nearly everything that has been a hazard has been addressed with the exception of a few locations and those locations are being dealt with in the next couple of weeks. Hall asked about vegetative spraying. Richards responded that he is going to get some proposals for this type of work. Richards will also be investigating the liability side and the public relations side of this type of treatment.
- **Market Compensation Survey:** Richards reported that the utility has done routinely, on an every three years basis, a market compensation survey which was adopted in the utility's governance policies. He said Mark Beauchamp has given a quote of \$3900 to redo the survey including job descriptions through the final report and recommendations. Hall said he would like to see alternative proposals. Beachum also said he would like to see other proposals. Sawka suggested using Rehmann/Robson. Richards will bring back to the July meeting options for the Board to consider.
- **Web Site Board Pictures:** Richards said he had talked to Brandon Mulnix from Modern Photographic about taking pictures of the Board members for the utility's website. He suggested that 30 minutes before the next board meeting, July 3rd, the Board could walk over to the photo studio and have their pictures taken before the start of the July Board meeting. There was some discussion on having Light & Power employees pictures also included. Richards did not recommend having employee's pictures on the website. Richards reminded the Board that the group employee photo taken last October would be on the website. Beachum did state that he would like to get to know the employees. He asked if it would be possible for the Board to have pictures and bios of the employees just for the Board's own information. The Board will meet at Modern Photographic at 5:30 pm July 3rd for pictures.
- **Letter from City Regarding Planning Commission Update to Master Plan:** Richards provided to the Board copies of the letter received from the City of Lowell recommending changes and updates to the planning commission's master plan. Also included was a map of existing land use and future land use. He found nothing of a direct impact on this utility but asked the Board to review it and voice to him any concerns they may have.
- **E-mail from real estate broker:** Richards told the Board he had received an email from the Grubb and Ellis Real Estate firm regarding the potential tenant, Fuller Septic, for the Chatham Street building. It stated that the manufacturer could not meet the water and sewer requirements for the City of Lowell therefore the deal could not be made. The firm will continue to look for interested parties.

Canfield asked if the holding off of the roof repair on the Chatham building until after the utility had a tenant was still in the plan. Richards said that the leaking in

the metal roof was minor and he did not believe that the leaking was doing any damage to the structure.

Beachum asked if there was any plan for routine maintenance of the Chatham Street building. He had noticed that the “Newell” name was still on the side of the building and there were broken windows and other maintenance that needed to be done. Richards reminded him that the utility only owned a portion of that building. The “Newell” name and broken windows are in the portion that is not owned by the utility.

Straub reminded the Board about getting educational information to get a better understanding of the financial reports which the Board had discussed back in the February meeting. Sawka responded that she is prepared and whenever the Board is ready a date can be set. After discussion it was the consensus of the Board to have the financials education meeting on Tuesday, July 1st at 7 pm. Mayor Shores asked to be included in this educational meeting.

Schedule of Meetings: There was a motion by Beachum and a second by Valentine to move the regular Board meeting of Thursday, July 3rd to Wednesday, July 2nd, at 6 pm (with pictures at 5:30 pm) because of the July 4th holiday. The motion passed by unanimous vote of the Board.

Richards informed the Board that Straub attended the MPPA Board and Committee meetings in June. He recommended to the Board that if any of them could attend a future MPPA Board and Committee meeting he would encourage them to do so. The next meeting is June 11th.

Richards asked the Board if there were any items that needed to be addressed at the Board and Council work session. Shores felt that there was not a need to meet at this time and this meeting could be postponed. She will have the city manager send to the Board an official notice that this meeting is to be cancelled at this time.

Richards informed the Board that the fall conference of the MMEA is in Lansing at the MMEA offices. He encourages any Board member who can to attend this meeting.

Complaint Register: There have been no complaints registered since March 10th.

PUBLIC COMMENTS

Bill Rocco was present to learn about Power Board meetings. His attendance was a requirement to earn a badge in the Boy Scouts. He said he especially liked learning more about the landfill gas renewable energy.

BOARD COMMENTS

Hall related to the Board that he had participated in Lowell's Mayor Exchange Day and he felt that having the utility's sub station as a visit area should be taken off the agenda in future exchange days as it takes far too much time to get everyone through it.

Hall also asked if there would be a possibility to do some kind of landscaping on the back side of the Chatham Street property that faces the St Mary's school. He suggested a row of pine trees or something similar to create a visual block. Richards said that unfortunately the utility's environmental assessment prohibits any digging or adding anything there but he will investigate if there would be anything that could be done.

Canfield asked if it would be possible to do some beautification on the St Mary's side of the fence. The utility could provide the trees and explain to St Mary's that the utility would like to provide a buffer but environmental rules do not allow the utility to do that on the utility's side of the fence. Richards will investigate that possibility.

Closed Session: Hall made a motion for the Board to go into closed session to discuss a personnel matter. It was seconded by Beachum. The motion passed by unanimous decision of the Board. The Board went into closed session at 7:20 pm.

The Board came out of the closed session at 9:54 pm.

ADJOURNMENT

There was a motion by Hall and a second by Beachum to adjourn the meeting. The motion passed by unanimous vote of the Board. The meeting adjourned at 9:54 pm.

Approved

Greg Canfield-Chairman

Date