

Minutes
Board of Light and Power
Regular Meeting – July 12, 2007
LL&P Office

Call to Order: Chairman Maatman called the meeting to order at 5:30PM with Board members Greg Canfield, Perry Beachum also present. Also attending was Operations Manager; Jeff Mullins, Administrative Manager; Mary Sawka and Mayor Pro Tem; Al Mathews. Lowell resident and owner of Sneakers restaurant, Shelley Catlin of 956 Riverside was also in attendance.

Approval of Minutes: A motion was made by Beachum and supported by Canfield to approve the minutes of the regular June 7 Board meeting. The motion passed with the unanimous vote of the Board.

Public Comment: Board member Beachum requested that the Board consider a change to the meeting agenda, moving the Public Comment item forward for the convenience of Ms. Catlin. It was the consensus of the Board to approve the agenda change.

Ms. Catlin introduced herself as the owner of Sneakers and expressed her concern about an interruption of power to her business of about 4½ hours on Monday and another more brief outage on Tuesday. She mentioned that the business had experienced a similar interruption sometime over a year ago. She asked why the problem hadn't been fixed earlier and why it has occurred again.

Operations Manager Mullins explained that:

- The past outage was a result of settling of the underground vault and the surrounding parking lot. The settling was possibly the result of improper compaction when the parking lot was paved by the contractor. Water had leaked into the vault, creating the previous outage. The utility had rebuilt and raised the vaults and the restoration of the parking lot done entirely at the utility's expense.
- Monday's outage was due to the failure of the underground conductors and connections, which created a fire and also damaged the transformer serving the affected Main street businesses. The failure is believed to have resulted from an overload of the distribution facilities, from additional loads that have been added by the individual businesses and residences since the underground distribution was originally designed and installed. He further explained that all of the utility's construction and service personnel were on the scene immediately and they replaced the transformer and all the affected conductors in the shortest possible time. He noted that after testing of the electric loads of the businesses, a higher capacity transformer has been ordered to help prevent a similar failure during the peak demand days such as Monday was.
- Tuesday's outage was caused by a failure of the protective fusing on the replacement transformer. He explained that due to the increased electric load a larger transformer would need to be installed as soon as possible. He explained that a brief outage would be necessary to install the higher capacity equipment. He stated that outage would be scheduled (and communicated) in advance at a time to minimize any hardship for the affected businesses.

Discussion followed about the expected delivery and installation of the upgraded transformer. Mullins responded that the transformer should arrive within the coming week, and the installation would occur as soon as all the needed materials are ready and the interruption can be scheduled and coordinated with the affected businesses. Richards added that another interruption is possible if extreme heat happens again before the new equipment can be installed, but it should only be a brief outage until fusing can be replaced. If necessary, he indicated the utility may be meeting with the customers to discuss ways to reduce load on the circuits to help reduce the chance of another overload until the upgrade is completed.

Also discussed was the addition of new businesses and new electric load which has been added to the affected circuit. Mullins and Richards commented that it is difficult to assess what precisely what additional load has been added to individual circuits, since the peak demand periods typically only occur during a relatively few hours each summer.

Richards commented that while underground distribution is more attractive to most people, it has its own drawbacks when extreme conditions or failures occur.

Richards apologized, expressing his thanks for Ms. Catlin's patience in the matter and he encouraged her to contact him or the staff whenever she has questions or concerns. She thanked the Board and Staff for addressing her concerns, and she left the meeting.

Accounts Payable: The Board reviewed and discussed the list of May accounts payable. A motion to approve the full list of payables was made by Beachum and supported by Canfield. The accounts payable was approved by a unanimous vote of the Board.

Consideration of Revision – Power Line Clearance Policy: Richards referred the Board to the discussion of the Power Line Clearance policy approved at the June meeting, and the subsequent discussion with Council at the June 24 joint Board / Council work session meeting. He reminded the Board of the apparent disagreement by Council members who indicated that they didn't believe that the Council had understood or consented to the 'matching' \$250 contribution by the City when a tree was removed by the utility.

With the possibility of revising the policy to be consistent with the understanding of the Council, Richards provided for the Board a revision of the policy, deleting the reference to the City's \$250 per tree matching contribution.

Discussion followed regarding the original intent and proposal for the City to establish a Tree Fund.

A motion to revise the Power Line Clearance Policy – Operating Policy 5-14 by deleting the phrase "to be matched with an equal contribution by the City" from the second to last paragraph was made by Beachum and supported by Canfield. The revision was approved by a unanimous vote of the Board.

Removal of 2005-2006 Uncollected Debt from Receivables: The Board reviewed a list of unpaid electric accounts with remaining balances from the 2005-2006 fiscal year. Richards and Sawka explained that the utility (and its collection agency) had so far been unsuccessful in getting payments from the customers responsible for each of the debts. It was also clarified that the debts list showed only the remaining portion after the security deposit for each account had been applied to reduce the remaining debt.

Discussion followed regarding the \$11,088 debt left by Preferred Engineering who had operated in the Newell building prior to their sudden departure for Tennessee. Richards advised the Board that he had consulted with a Tennessee collections attorney who reviewed the situation and advised that the chances of collecting the debt from the company were not favorable.

Richards and Sawka reminded the Board that removing the debts from the 2007 – 2008 receivables would only serve more accurately reflect the amounts likely to be collected in the new year. They clarified that writing off the debts (as a loss in 2006-2007) would not affect the utility's ability to collect the debt in the future.

Also discussed was the ability to collect debts from property owners (as a tax lien) when the account was in the name of the owner of the property in question.

A motion to remove the list of 2005-2006 uncollected electric debts (totaling \$18,257) was made by Beachum and supported by Canfield. The motion passed by a unanimous vote of the Board.

Performance Data: Richards provided and the Board reviewed financial, sales and performance data from the May operations of the utility compared to the prior month and the previous May. Discussion followed regarding the reductions to investments and cash resulting from some recent months with negative net income and some unanticipated capital expenses. He reminded the Board of the upcoming repayment of the remaining balance (approx. \$460,000) of the funds loaned to Cable TV, and Lowell's balance of nearly \$400,000 in the MPPA Municipal Competitive Trust.

Income Statement: The Board reviewed the utility's revenues and expenses for May and Richards noted some significant variations in revenues and expenses as compared to the budget projections and the normally anticipated levels, including:

- While May residential electric sales are typically at the low level for the year, the May 2007 were \$30,000 below the average month
- Commercial sales revenue was \$15,000 below the 12 month average.
- May's operating costs for the Campbell 3 plant (backup power during upgrades) were \$40,000 above the typical month.
- Total purchased power expenses in May were \$72,000 above the same month in 2006.

Other Items: Richards updated the Board on topics including:

- Reimbursement of \$9,300 had been received for the loss of copper conductor stolen from the fenced in enclosure at Chatham St.

- Three proposals for closed circuit monitoring for Chatham St. are being compared and reviewed by staff.
- The best resolution to the new venting requirement for the generation fuel tanks appears to be replacement of the three individual tanks with a single double walled tank that will serve all three generators. Competitive proposals are being evaluated. The estimated cost to complete the project is approximately \$30,000. The Board guided staff to use the comparative proposals to proceed with the best economical option.
- MPPA items including:
 - Cost estimates for new projects, and the benefit of having Lowell's costs deducted from its balance in the Municipal Competitive Trust.
 - MPPA Board approval for expansion and improvements needed for the Lansing office building. The estimated cost \$475,000 was to be paid with funds from the Belle River Project Fund and the building leased back to the agency.
 - A cost benchmarking survey of joint action agencies showed that MPPA is below average in labor costs, staff levels and total non-power costs.
 - Project billing statements will be revised to provide more comparative information
 - Ongoing mediation discussions that may lead to a mutually beneficial separation agreement for Lansing to exit the Power Pool prior to the scheduled 2010 date. Richards felt that the parties still have serious differences to resolved before a settlement can be reached.
- Discussion of Board member Beachum's request to consider the option of raising the distribution lines to avoid the recommended removal of an oak tree at 903 N. Hudson. The Board reviewed photographs of the tree and discussed the tree and the technical limitations for relocating the lines. No action was suggested or proposed by the Board. Richards indicated that the staff would be following the Power Line Clearance policy in trimming or removal, as approved by the designated City staff.
- Brief discussion of programs and sessions attended by Richards at the national Public Power conference. Richards committed to sharing pertinent presentation papers with the Board.
- Richards shared a written comment that was received from Lowell customer and the home of an elected official. The comment was critical of the informational and image advertising inserts that have been provided to customers in their monthly statements.
- Richards provided a written report of the Michigan Public Power Agency including history of the agency and its various projects. Also included was the agency's audited financials for the 2006 fiscal year.

Complaint Register: Richards noted that no new complaints had been registered by customers since those that were reported May meeting of the Board.

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. Board Member Beachum

asked about the progress of the Arbor Board. Richards expressed his opinion that the Board is still working (albeit slowly) toward establishing a city tree policy.

Public Comment: There was no additional public comment.

Next Meeting: The next regular meeting was set for 5:30 PM on Thursday August 2 at the Light and Power offices.

Adjournment: The Chairman adjourned the meeting at 6:27 PM.

James Maatman, Chairman

2 August 2007