

MINUTES

BOARD OF LIGHT AND POWER

REGULAR MEETING OF JUNE 3, 2010

- I. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order by Board Chairman Canfield at 5:30 p.m. Present were Beachum, Canfield, Hall, Johnston and Valentine. Also present were General Manager Pierce and Utility Foreman Russo.

- II. **APPROVAL OF AGENDA:** Pierce asked to have a couple of items added to the agenda under Action Items (V). He asked that an item B, Approval of Bad Debt Write Offs be added; that an item C, Letter Regarding a Line Shack Proposal be added; and potentially an Item D would be the Employee Health Insurance renewal. There was a motion by Beachum to accept the agenda as amended. The motion was supported by Johnson and passed by unanimous vote of the Board.

- III. **APPROVAL OF MINUTES:** There was a motion by Beachum and support by Hall that the minutes of the April 29, 2010 regular Board meeting be approved as written. The motion passed by unanimous vote of the Board.

- IV. **PUBLIC COMMENTS:** There were no public comments.

- V. **ACTION ITEMS:**
 - A. **LLP Travel Expense Policy:** The Board reviewed the Travel & Business Expense Reimbursement Policy presented to them in their Board packets. Pierce reminded the Board that the Utility had hired, on a part time basis, a former Consumers employee who had been in the Human Resource Department. She has been working on updating LLP policies and the Employee Handbook.

Beachum noted that the wording in the policy mentions employee travel and expense but does not mention board members. He would like Board members added to the policy.

Pierce noted that on page 3, under the Business Use of Personal Vehicle paragraph, the utility may be covered under the City of Lowell's insurance policy.

Pierce also suggested that the word direct be added between the words "All" and "travel" in the sentence (All travel expenses for companions/family members accompanying an employee are not reimbursable.)

There was a motion by Hall and a second by Valentine to accept the LLP Travel Expense Policy with the above noted changes. The motion passed by unanimous vote of the Board.

- B. **Bad Debt Write Offs**: The Board reviewed and discussed the recommended 2009 bad debt write-offs. There was a motion by Beachum and support by Hall to approve the 2009 write offs as presented. The motion passed by unanimous vote of the Board.

- C. **Line Shack Letter**: Pierce received a letter from Greenridge Realty. The letter, from Kim Schwacha representing an unnamed client, expressed interest in stabilizing and repairing the line shack and then leasing the building at an annual lease rate of \$3,000 per year, triple net, renewable for up to (9) nine years. Canfield indicated that he had a business relationship with the individual Greenridge was representing and reclused himself from the discussion. The building would be used for a recreational retail business. The Board discussed the matter and asked Pierce to get additional information and report back to the Board next month. There was a motion by Johnston and a second by Hall for Pierce to pursue the issue and report back to the Board. The motion passed by unanimous vote of the Board.

D. Health Care. Pierce explained that the utility has been trying to get its benefits on the same renewal schedule as the City. He said that in order to be on the same insurance cycle as the City the utility would need to renew its health insurance in July rather than December. The Board discussed the options and the proposed increase in Priority Health's renewal for employees and retirees. Pierce noted that the increase in premiums for the City this renewal period was 12%; LLP's proposed renewal increase would be 15%.

The Board also discussed the utility's employee benefits such as sick, personal and vacation days. After further discussion, there was a motion by Beachum and a second by Valentine to renew the current insurance plan. The motion passed by unanimous vote of the Board.

VI. INFORMATIONAL ITEMS:

A. Performance Data: Pierce reported that the utility had a positive month and sales were up slightly from the previous period in both commercial and residential. Beachum asked if the Board could have a report update each month regarding what had been paid against the previous month's outstanding balance (receivables). Pierce will look into it and report back next month.

Pierce also reported that investments have not been very good this year however this month both MPPA trust fund and Paine Webber were up slightly. The utility's peak was down slightly in April compared to the previous month.

B. Income Statement (April 2020)

Pierce reported to the Board that the income statement year to date looked good even though there was a loss for the month. He also said the operating revenue was good for the same time period. Pierce noted that the biggest change in expense was for purchased power which pushed the power cost over budget for the month. He reported that for the month of April there was

a \$36,000 net loss, however year to date the utility has a \$293,000 net income which is \$125,000 over budget.

C. Manager's Report

1. **MPPA/MMEA/APPA**. Pierce reported that the MMEA Spring conference was a well attended and informative event. He said General Motors gave an interesting presentation regarding the Volt and what utilities need to be thinking about to be ready for plug-in vehicles. DTE gave an update on their progress toward permitting a new Nuc facility at Fermi.

An Energy Efficiency Service Committee meeting was held after the MMEA agenda and Franklin Energy gave an update on the 2010 programs. Lowell has a couple commercial customers taking advantage of the incentives and there are a couple more customers in the process of completing applications.

The Michigan Community Action Agency has offered to work with local municipal utilities regarding low income assistance. LLP is already working on a similar program with FROM. Pierce believes that the utility should work with both organizations.

Pierce reported that the Annual EO report to the MPSC has been submitted. In August the utility will do a bill stuffer with the annual report data to the customers.

2. **Benefits Review**: Pierce reported that insurers seem to be encouraging the use of Health Savings Account (HSA) programs. HSA programs force individuals to be more responsible and take a more active role in selecting and paying for their medical costs. We should look at HSA programs with the City for our next renewal in July of 2011.

In addition to the regular insurance type benefits, Pierce and the Board revisited the utility's Compensated Absences (CA) policy. Pierce indicated that when the utility started giving Short Term Disability (STD) to its employees there was probably an oversight and the utility failed to decrease the number of allowed sick days. The employees currently receive 12 sick days and 5 personal days per year. There was Board discussion last year that perhaps the number of CA days should be decreased in light of the short term disability being available after 7 days for illness (after the first day for an

accident) or to possibly change the terms of the short term disability benefit. After discussion among the Board, they asked Pierce to have a potential policy for the Board to review at the next regular Board meeting.

Pierce discussed another area, on call/call out policy and pay, that seems to be a disparity. His recent analysis shows a cost of \$47,000 per year to facilitate \$6,500 of work. Currently the utility has two linemen on standby 365 days a year. They are paid an extra 16 hours extra per week for standby. Pierce explained that Lowell has very few call outs with the average being 6.6 hours per month.

Pierce questions whether it is necessary to have two linemen on call all of those hours. He suggests perhaps a flat rate could be paid to the employee and/or a tier system of call out. Potentially a lineman could be the first call and then he would determine if another lineman or a grounds man were required for that particular call out. Russo reminded the Board that in two or two and a half years from now the utility will not have the issue where a lineman is on call every two out of three weeks because the utility has two grounds men who are attending lineman school and will become linemen in a couple of years. After further discussion it was the consensus of the Board to leave the on call/call out program the way it currently is.

3. **System/Generation Upgrade Progress:** Pierce reported to the Board that Wolverine has finished up the removal of their poles and their contractor will be back next week to finish up site repair and landscaping. He also reported that the staff is diligently working on getting the engine room rewired with hopes of having generation back on line by mid June.

4. **Expansion:** Pierce reported to the Board what opportunities the utility has for expansion. He said that Atwood is within the City of Lowell and the utility has the right to serve them no matter who their current provider is. However, there is a 1960 City Resolution giving Consumers Energy the right to serve the Atwood plant with electric service. Pierce will check into the details of this resolution and see if there would need to be a new resolution to allow Light and Power to serve Atwood with electric service. Pierce also found that townships can form municipal utilities. In short a township could form a municipal electric utility and then buy the services from an adjoining provider. During Mayor Exchange Day Greenville told of their interest in forming a municipal electric utility.

5. **Strategic Planning**: Pierce provided the Board with a copy of the approved Strategic Plan and an updated review of the goals and objectives as identified by staff.
6. **Flat River Bank Stabilization Report**: Canfield, Hall and Pierce attended the DDA meeting where Williams and Works (W&W) presented the West side, Flat River Bank Stabilization Report. The report confirmed that the river has cut away and eroded under the foundation of the LLP line shack building. W&W suggest the City pursue grants for bank stabilization.
7. **New Position**: A new position replacing "Utility Engineer" has been developed and will be posted on the web site. The position is called Energy Services Coordinator and Pierce has already had interviews with a couple of potential candidates.
8. **New Base Load Generation in Michigan**: The proposed Wolverine coal generation plant in Rogers City has been denied by the MDNRE based on an MPSC recommendation. Consumers announced they will hold off on the development of their approved base load facility in Bay City due to the economy, and the Mancelona Biomass Project has not been able to garner enough support through MPPA to initiate a purchase.
9. **APPA National Conference**: Pierce reminded the Board that he will be attending the National APPA conference which is being held this year in Orlando, Florida.

D. **Schedule of Meetings**: A schedule of meetings was not yet available.

E. **Complaint Register**: No New Complaints were recorded

VII. **Date of Next Regular Scheduled LLP Board Meeting** (July 1, 2010; a Special Executive Session meeting was scheduled for June 21, 2010)

VIII. **BOARD COMMENTS:** Beachum commented that we should make a push during the summer to promote the APLUS program. We could include an article in the Ledger. Beachum also suggested we could advertise for our energy optimization programs in the Ledger as well. Pierce indicated that Franklin was to be launching specific promos in the Ledger such as for the Fridge pick-up program.

IX. **ADJOURNMENT:** Hall moved for adjournment at 8:10 PM, supported by Beachum. The motion passed by unanimous vote of the Board.

Chairman, Greg Canfield

Date