

Minutes
Board of Light & Power
Regular Meeting – March 30, 2006
Lowell Light and Power Offices

Call to Order: Chairman Austin called the meeting to order at 5:30 PM. Also present were Board members Jim Maatman and Bill Thompson, General Manager Tom Richards, Administrative Manager Mary Sawka and Mayor pro tem Al Mathews.

Approval of Minutes: A motion was made by Thompson and supported by Maatman to approve the minutes of the March 9 Board meeting. The motion passed with the unanimous vote of the Board.

Accounts Payable: A motion was made by Maatman and supported by Thompson to approve the February accounts payable as presented. The motion passed by a unanimous vote of the Board.

Award of Construction Bid – Bowes Rd. Express Feeder Project: The Board reviewed a written summary of bids and a recommendation from GRP Engineering for the construction contract for the Bowes Road feeder circuits. Bids had been solicited from the four regional power line construction firms that the engineers and staff felt were qualified for the job. Responses were received from two; CC Power of Kalkaska and Kent Power of Kent City Michigan. The low bid of \$184,231 was received from CC Power. Their bid was 8% below the comparable bid from Kent Power.

The Board discussed that several large out-of-state projects have pulled away a large proportion of the power line construction crews. It was felt that the Newkirk and the Hydaker-Wheatlake most likely were too short handed to bid on this project.

Also discussed was the confidence that GRP engineering expressed regarding the work of CC Power. This was the only firm who visited the Bowes road job site prior to submitting their bid.

Austin asked and Richards clarified that the bid is a fixed bid. There are no anticipated circumstances where the labor cost should be above the bid amount. Richards also clarified that there is a liquidated damages penalty to be paid if the project is not completed by the September 1 deadline.

A motion was made by Maatman and supported by Thompson to approve the bid by CC Power. The motion passed by a unanimous vote of the Board.

Richards advised that depending on the delivery of the majority of the materials, construction would most likely start by June.

Consideration of Change in Retiree Health Insurance Benefit: The Board reviewed a written summary by Richards, detailing a group retiree health insurance option which was first presented in January. Pacificare Senior's Choice was proposed by agent Dale DeHaan of Creative Benefits as the only group retiree plan that he could confidently recommend to serve our area. The Pacificare plan coordinates with Medicare to provide the needed benefits at a lower cost than the group health plans designed for active employees. Many individual Medicare supplement plans were available, but they could not be offered on a group basis by the employer.

Richards reminded the Board that by having several older retirees in our health care "group" it had caused Priority Health to "rate" our group at a significantly higher premium than when the retirees were insured under a separate Blue Cross Plan. Richards advised that the premiums paid by the utility, the active employees and the retirees should all be reduced if the Pacificare plan is adopted.

Thompson asked about the retiree health care provided to other city employees. Richards advised that the City pays the full premium for retiree health care for five years, or until age 65. At that point, the City no longer pays a premium for retiree health care coverage.

Thompson suggested 'grandfathering' the current coverage for existing retirees and adopting the same policy as the City for future retirees. Richards expressed that those employees who are nearing retirement would be disadvantaged by a sudden change of a long standing policy. If a change is to be made, he recommended making the change for those retiring after some future date.

Austin suggested addressing the question of the change to Pacificare separately from the question of retirement benefit policies for future retirees. Asked if there was urgency to the Pacificare decision, Richards stated that Priority Health would re-rate the employee group some time in the second half of the year. DeHaan recommended making the change prior to mid-year in order to get the benefit of separating the retirees from the employee group prior to this rate review.

Richards pointed out that after reviewing the differences in costs and benefits between Pacificare "preferred" and "premier" levels even the more comprehensive "Premier" plan would reduce premium costs for retiree coverage by \$700 per month.

A motion was made by Thompson and supported by Maatman to enroll all retirees over age 65 in the "Pacificare Seniors Choice Premiere" health care plan. The motion passed by a unanimous vote of the Board.

Consideration of Revision of Residential Security Deposit Policy: As discussed at the May 9 meeting, the Board reviewed a proposal by staff of specific criteria that should be met before a residential customer could be relieved of the obligation to provide an electric security deposit prior to obtaining service.

To have the security deposit waived, staff proposed that the customer must provide verifiable statements from their previous utility to confirm that the customer:

- Has had continuous electric service for at least the previous 12 months
- Has no history of late payments, NSF checks and no shut-off for any payment issue
- Had electric use (and payments) that were comparable to that expected at their Lowell address.
- Has paid the final bill

It was proposed that LL&P provide the necessary form, and that the customer would be responsible for all of the legwork to provide the information. Also discussed was the requirement of providing the acceptable payment history (or the deposit) prior to receiving service. The deposit will be refunded if the payment history is provided after the account is opened.

A motion was made by Thompson and supported by Maatman to amend operating policy 2-4 by adding the following existing language at the beginning of section A:

Unless the customer has satisfied all requirements of the utility's Credit History Confirmation (form provided upon request)

The motion passed by a unanimous vote of the Board. Richards advised that the staff would implement the policy as soon as the credit confirmation procedure and forms were completed.

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. The Board discussed the performance data tables and significant changes and trends. Richards explained that the increased revenues are now reflecting the results of the Power Cost Adjustment factor, implemented in January. He advised that the factor would be adjusted for the April – September period very shortly and that the new rate would begin recovering for the high purchased power expenses experienced recently. Also noted was the ½ megawatt of increase in peak electric demand for the month.

Income Statement: The Board reviewed the February 2006 income statement and a summary of significant trends and notable variations from the anticipated levels of revenues and expenses.

Again the Board discussed the extraordinarily high purchased power expense for the month, which resulted in a significant negative net income. Richards emphasized that increased cost reflects significant adjustments (charges) for additional expenses incurred, but not previously billed, in August through December months. A true-up for the revised cost of back-up energy supporting a prior outage at the Campbell plant was being divided for payment over several months. Annual dues for MPPA and APPA membership as well as line clearance (tree trimming) expense also contributed to higher than normal expenses for February.

Chairman Austin asked if the high purchased power expenses are likely to be at more normal levels in the near future. Richards expressed that changes in MPPA's strategy of scheduling generation in the MISO energy market hold promise for reducing those charges and that the additional "Backup Energy" true-up expenses will be completed shortly. He also advised that Michigan utilities are involved in APPA's efforts to get legislative and regulatory relief from the unreasonable cost increases that resulted from the implementation of the MISO MMI market. He also explained that credits (up to \$40,000 per month) resulting from the sale of un-needed emissions allowances at Campbell and Belle River will be offsetting costs over the next 12 months.

Other Items: The Board reviewed a summary of current activities and projects for the utility; items discussed by the Board included:

- Richards' discussion with the management of Stoneridge apartments regarding their concerns over the residential security deposit requirements. Richards said he felt the managers came away with a much better understanding of the requirements and the Board's need to minimize the risk of uncollected debt.
- An explanation of the failure of an air-break switch where Lowell's transmission line connects with the Consumers (METC) circuit north of Lowell. Richards explained the failure and the staff's response to the brief outage that resulted on the evening of March 13. Staff was working on plans avoid any interruption by temporarily switching all affected customers to the Wolverine feed when the 138 line must again be de-energized for repairs.
- Plans to work with City staff to develop a request-for-proposals to consider competitive options for the property and liability insurance needs for the City and the utilities.
- The successful demonstration exhibit at the Lowell Expo. Hundreds of residents visited the exhibit and over 70 participated in an aerial bucket demonstration with staff linemen.
- Survey, title and environmental assessment tasks were nearly complete for the closing on the Chatham Street property.
- Discussion of the Council's interest in the potential use of surplus space at the Chatham Street building by other city departments.
- Discussion of the potential use by the City of the Washington street site when the utility moves storage operations to the Chatham street property.

Schedule of Meetings: The Board reviewed a schedule of upcoming meetings including meetings of the Lowell City Council, Michigan Public Power Agency and Power Pool, Coordinated Energy Partnership Committee, Michigan Municipal Electric Association and American Public Power Association.

Next Meeting: The next regular meeting was set for 5:30 PM on April 27 at the Light and Power offices.

Public Comment: Mayor pro tem Mathews asked about the utility's policy regarding removing tree stumps when trees in the right-of-way are removed for adequate clearance of aerial lines. Richards advised that the consistent practice has been that the utility completely removes the trees to the ground, but leaves stump removal to the residents.

Mathews explained that the Department of Public Works does remove stumps when removing a dead or dangerous tree. Richards clarified the purpose of the utility's tree removals is to remove trees for reliability and safety, but that stump removal has not been done as it would add considerable expense to the customers for purely aesthetic purposes. Also discussed was the success of the utility's stepped-up efforts to work with property owners so that they will understand and support the line clearance program.

Adjournment: The chairman adjourned the meeting at 6:49 PM

Dave Austin – Chairman

Date