

Minutes
Board of Light & Power
Regular Meeting – January 12, 2006
Lowell Light and Power Offices

Call to Order: Chairman Austin called the meeting to order at 5:30 PM. Also present were Board member Jim Maatman, Bill Thompson, General Manager Tom Richards, Administrative Manager Mary Sawka, Operations Manager, Jeff Mullins, Mayor Chuck Myers, Council member Jeanne Shores, consultant Mark Beauchamp and resident Peggy Covert.

Approval of Minutes: A motion was made by Maatman and supported by Thompson to approve the minutes of the November 22 special Board meeting. With the correction of a typographical error noted by Austin, the motion to approve the minutes passed with a unanimous vote of the Board.

Public Comment: With the consensus of the Board, Chairman Austin adjusted the agenda to allow for resident Peggy Covert of 982 N. Washington St. to express her comments to the Board. Ms Covert explained that she is a neighbor to the Washington street warehouse and storage facilities, and she was interested to learn of the Board's long- term plan for the facility. She expressed her hopes that the Board would find other options for its storage needs so that the property could be converted to more natural or recreational purposes.

Richards advised that he and Ms. Covert had spoken on several occasions about the Board's consideration of alternate storage locations, and he advised that the Board may take action on one of those options later in the meeting. Chairman Austin advised that the Board shared her goal of finding a storage location that would be more compatible with the needs of the utility and the neighborhood.

Market Wage Survey – Pay Scale Adjustments: Utility Financial Solutions consultant Mark Beauchamp presented the results of his firm's survey of comparable municipal electric and cable TV utilities in the Midwest to determine the range of market wages paid for positions comparable to those at LLP & LCTV. He noted that it had been the policy at LL&P to survey the market on an every-third-year basis to insure that the utility was keeping its compensation levels competitive and within the range of wages paid in the region. He reported that of 40 utilities contacted, 19 responded, mostly from Michigan. His survey results also included data from APPA's 2004 national wage survey.

Discussion followed on the survey results received for the various staff positions and the comparisons to the data received from the survey results. Beauchamp provided recommended wage scales for each position, with each being adjusted by the survey results and the assumption of a 2.7% annual cost of living index being applied at a 50% rate, (assuming some utilities adjust wages at year end and some at mid year).

His recommendation was to cap the any increase of Lowell's rates to 6% and to freeze those rates in the few instances where Lowell's wages were already above the survey

averages. He also provided a comparison of the recommended wage scales to the average of the survey results.

Discussion followed regarding the steps that each employee fell on the pay scale, as determined by their annual performance review. It was discussed that the average service time in most positions was estimated at over seven years, contributing to generally above-average performance evaluation for most positions. Also discussed was the annual adjustment of each pay scale by a cost of living adjustment approved by the Board. The Board discussed the likely impact of labor unions and their influence on many of the wage range results. Richards pointed out that Lowell has been the only non-union Michigan municipal system in recent MMEA surveys.

A motion was made by Maatman and supported by Thompson to approve and implement the wage scale adjustments as suggested by the study and proposed by Beauchamp. The motion was passed by a unanimous vote of the Board.

Mark Beauchamp exited the meeting.

Performance Data: Richards reviewed financial, sales and performance data from the November operations of the utility compared to the prior month and the previous November. The Board discussed the performance data tables and significant changes and trends including:

- The year-to-year increase of approximately 30 new residential accounts
- A significant increase in electric consumption and sales for commercial accounts

Income Statement: The Board reviewed the November 2005 income statement. Richards pointed out significant trends and notable variations from the anticipated levels of revenues and expenses. Richards pointed out that in spite of month to month variations, the utility had earned approximately \$80,000 in net income over the past 12 months.

MPPA Activities: The Board reviewed a written summary of recent actions and issues of the joint action agency; items discussed by the Board included:

- An increase of over 90% in the deficiency capacity charge paid by Lowell and the majority of Power Pool cities. The increase was the result arrived at by a third party consultant, hired to determine the proper rate according the Pool contract. Richards reminded the Board that the increase in cost will be recovered through the Power Cost Adjustment factor.
- An assessment (charge) to all Pool cities to increase the pool's working capital. The working capital fund must be increased to prevent a shortfall when paying the multiple monthly MISO energy and transmission charges before the member cities are billed. Richards clarified that Lowell's contribution to working capital would remain Lowell's funds and would be refunded with interest when the pool arrangement ended or when the requirement was reduced.

Consideration of Retiree Health Benefit Options: Richards advised the Board on a group Medicare supplement health plan that had become available. Moving retirees to the this plan would:

- Reduce the premium cost for providing health insurance for Medicare-eligible retirees
- Improve the attractiveness of the employee group for Priority Health's rating of the group, minus the high cost retiree segment

Richards advised that this is the first retiree group plan that the LL&P retiree group was eligible for, and that other plans may become available in the next few months. He recommended that the Board consider making a change with the retiree segment before mid-year, when Priority Health will do its annual rating of the utility's insured group. He reminded the Board that agent Dale DeHaan offered to meet with a group of retirees when and if the Board felt that would be useful.

Richards clarified that the healthcare plans reviewed by the Board in November were plans that require individual subscription by individuals, not plans that the utility could enroll the retirees in as a group.

The Board agreed with Richards' recommendation that if any changes were to be made, that they should be made by the March Board meeting, to ensure that the transition would be complete by June.

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

- The Council's appointment of a committee to consider desirable revisions to the Lowell City Charter. Richards recommended the Board's review of the Charter and its requirements for the electric utility. Chairman Austin suggested that there may be a benefit to increasing the Board from its current three members. Richards suggested that if the Board's size were to increase, it may be valuable to include Board representation from Lowell and/or Vergennes Townships.
- The planned replacement and upgrade of the office's 5 year old network server, which is currently operating dangerously close to its maximum capacity. He pointed out that the operating software would no longer be supported by Microsoft. Discussion followed regarding the current utility's procedures to back up operations in the event that the server broke down or was damaged.
- Repairs and improvements underway to the cooling system for the plant's generators including system that prevents dangerous moisture plumes (that might damage adjacent substation) in sub freezing weather. Richards advised that natural gas leaks detected in the generator's fuel supply lines were also being corrected.
- A letter published by the Lowell Ledger, critical of the utility's charges and fees for establishing new customer accounts.

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

Consideration of Purchase Offers – Warehouse/Storage Facilities: The Board reviewed a written summary and proposal provided by Richards regarding the potential purchase of the industrial property at 625 Chatham street. The appraisal and description of the property were shared with Mayor Myers. The property appraisal set the market

value of the property at \$1,050,000 compared to the listed asking price of over \$1,200,000.

Discussion followed regarding the potential of owning or using the property jointly with other city departments. Richards advised that the City Manager and DPW Director had been fully apprised of the opportunity, but neither felt the property was compatible with any current or anticipated need. Also discussed was the City Manager's opinion that once vacated, the existing storage property on Washington Street may have potential for development of new homes. Asked about the value of the existing building, Richards stated he'd been given a replacement-cost estimate of about \$80,000.

Asked about the improvements necessary at the Chatham property, Richards indicated that some paving and retaining equipment would be needed for exterior storage of poles, and some interior accommodations would be needed for the storage and spill containment of transformers. He also mentioned the need for a crane or some other appropriate method to move and load the larger transformers.

Richards reminded the Board that he had a purchase offer prepared for the Oberley Road property which was being considered. The estimated cost of improvements and buildings for that property was \$1.2 million.

The Board discussed the contingencies that Richards proposed that would accompany an offer on the Chatham St. property. Richards asked the Board for direction on an offer price if the Board wished to pursue the purchase of the property. Richards indicated the range of per-square-foot values of the comparable properties in the appraisal put the value of this property between a low of \$875,000 and a high of \$1,250,000. Discussion followed regarding an appropriate level for a conservative but competitive bid price.

A motion was made by Thompson and supported by Maatman to authorize Richards to make an offer of \$975,000 for the purchase of the Chatham property with the contingencies offered by Richards. Guest Peggy Covert asked about the possible time frame for purchase and occupancy of the new property if the offer is accepted. Richards indicated the sale would be delayed only by the seller's ability to meet the contingencies, and the approval of the real estate purchase by Council. She expressed that the activity and lighting at the Washington Street site reduced the attractiveness of the area for herself and her neighbors.

The motion passed by a unanimous vote of the Board.

Addressing Ms. Covert, Richards advised her that this solution, chosen with respect for the wishes of the neighborhood, would have a significantly higher cost to the utility than the improvements originally planned at the Washington Street site.

Request for Alternative Tree Replacement Options – Bowes Rd: Richards referred to a written briefing he had provided to Board members, regarding requests from property owners Joice Smith and Rosie Haywood. The owners requested the Board's consideration of cash compensation instead of the commitment to tree replacements offered under the Board's policy approved in October.

Richards explained that both owners indicated that they had special situations where they felt they could personally obtain trees and have them planted at a lower cost. Therefore they requested the \$500 value of replacement trees to be paid to them in cash.

Discussion followed about the Board's intention to provide a suitable replacement tree to those who would lose a tree with this project. The Board expressed concern about the precedence for paying a cash reimbursement for a tree, versus providing and planting an appropriate tree to replace the one lost. Austin suggested, that if it was a benefit to the property owner, the Board could offer to make the same payment for a replacement tree to a nursery or landscaper of the customer's choice instead of the one chosen by the utility.

A motion was made by Maatman and supported by Thompson that the Board maintain the existing reimbursement offer with the exception that the same reimbursement be extended to pay a landscape professional of the owner's choice, for the similar replacement of an appropriate tree in an appropriate area on the owner's property.

The motion passed by a unanimous vote of the Board.

Confidentiality Resolution – Coordinated Energy Partnership: Richards summarized his written briefing, advising the Board that the CEP Committee had learned that potential energy providers would be unwilling to negotiate energy supply contracts with the Committee unless all cities had approved a resolution committing to keep all competitive prices and contract details confidential.

A motion to approve the CPEC confidentiality resolution was made by Maatman and supported by Thompson. The motion passed by a unanimous vote of the Board.

2006 Authorization of Depository Banks and Personnel Authorized to Approve Transactions:

A motion was made by Thompson and supported by Maatman approving the Board's current use of Fifth Third Bank (Grand Rapids) and Huntington Bank (Lowell) for deposits of the utility, and limiting transactions to the following authorized individuals:

- Chairman Dave Austin
- Board Member Bill Thompson
- Board Member Jim Maatman
- General Manager Tom Richards
- Administrative Manager Mary Sawka
- Operations Manager Jeff Mullins

The motion passed by a unanimous vote of the Board.

Chairman Austin asked and Mary Sawka clarified that the authorizing resolution in no way limits the utility from making changes regarding individuals or banking institutions throughout the year.

Designation of “Member” and “Alternate” for the Coordinated Energy Partnership:

Richards advised the Board that any agreements or actions taken by the CEP committee would be done democratically by a vote from the authorized member or alternate for each member community. Each city needs to designate one individual for each post.

A motion was made by Thompson and supported by Maatman to appoint Tom Richards as Lowell’s “member” and Dave Austin as “alternate” to the Coordinated Energy Partnership Committee. The motion passed by a unanimous vote of the Board.

Next Meeting: The next regular meeting was set for 5:30 PM on January 26 at the Light and Power offices.

Adjournment: The chairman adjourned the meeting at 7:27 PM

Dave Austin – Chairman

Date