

Minutes
Board of Light & Power
Regular Meeting – June 8, 2006
Lowell Light and Power Offices

Call to Order: Chairman Austin called the meeting to order at 5:39 PM. Also present was Board member Jim Maatman. Board member Beachum was absent. Also attending were General Manager Tom Richards, Administrative Manager Mary Sawka and Operations Manager, Jeff Mullins.

Approval of Minutes: A motion was made by Maatman and supported by Austin to approve the minutes of the April 27 Board meeting. The motion passed with the unanimous vote of the Board members present.

Accounts Payable: A motion was made by Maatman and supported by Austin to approve the April accounts payable as presented. Chairman Austin asked about the use of assigned credit cards for the purchase of materials not related to travel or meals. The staff clarified that the credit cards issued to designated managers are occasionally used for purchases of necessary materials or equipment from internet or other vendors where it is not practical or necessary to establish an open account for purchases on credit. The motion passed by a unanimous vote of the Board.

Concerns Expressed by Councilman Phaller: Chairman Austin explained that Councilman Phaller had expressed concerns (both operational and policy) about the utility. He had been urged to attend the meeting to enable the Board and staff to work out opportunities to discuss those concerns with the appropriate individuals. Austin stated that Mr. Phaller explained that he would be delayed in joining the meeting. Austin suggested that operations and project related concerns would be appropriate for him to discuss directly with staff. Austin felt that policy related concerns should be taken up with the Board, but also with the attendance of other Council members.

Performance Data: Richards reviewed financial, sales and performance data from the April operations of the utility compared to the prior month and the previous April. He reported that nearly all measures of electric usage and revenues showed some growth in the month. Also noted was the reduction of invested reserve by nearly \$900,000 which relates to the settlement on the purchase of the Chatham Street property as well as other capital costs for repairs and preventive maintenance on the three local generators.

Income Statement: The Board reviewed the April 2006 income statement and a summary of significant trends and notable variations from the anticipated levels of revenues and expenses. Richards noted an additional \$52,000 expense for the true-up of actual Campbell 3 back-up energy costs which were incurred in 2005 but allocated in 2006. He indicated that the purchased power billing for May had just arrived, and it appeared to be closer to normally expected costs. He also reminded the Board that the Power Cost Adjustment factor will recover revenues equal to any power supply costs in excess of those anticipated by the rate design.

Council member James Pfaller arrived at the Meeting.

Concerns Expressed by Councilman Phaller:

Chairman Austin welcomed Councilman Phaller to the meeting and briefed the Board on concerns that Mr. Phaller had expressed in e-mail communications with Richards. He suggested that operational or project related issues could be best discussed directly with the utility staff. He also suggested it would be most helpful to discuss policy or philosophical concerns together with the other members of Council.

Phaller stated that he has heard negative and critical comments about the utility by other residents and allegations of questionable activities by utility staff. He expressed concerns including:

- Utility poles on Bowes Road that have been placed on lawns in the right-of-way but not yet erected. He objected to the inconvenience to the residents and property owners.
- Installed poles were left with a mound of dirt around the base of the pole.
- Tree stumps left when trees are removed for line-clearance concerns.
- Controlling costs on project specific items contrasted with the high cost to purchase a warehouse / storage property.
- His opinion that Lowell citizens would choose another energy provider if they had any choice.

Board members Austin and Maatman countered that the utility maintains better reliability and lower rates than any area electric provider, and that customer complaints are to be expected anytime a customer is inconvenienced by the work to build or maintain city services, including water, sewer, streets and sidewalks.

Richards added that, contrary to Mr. Phaller's opinion, the utility is frequently approached by Consumer's Energy customers, asking how they can get service from LL&P.

Phaller also complained that long-time customers moving from one Lowell residence to another are required to pay a security deposit as they would if they were a new customer.

Richards corrected him, stating that if the customer has established a positive payment history, and the anticipated electric usage at the new residence is comparable to the previous one, that by policy, the customer is not charged a new deposit. He explained the basis of the policy and how it has controlled the cost of uncollected debt to the city's electric customers who do pay their bills.

Austin noted that the complaints and concerns like Councilman Phaller's are rarely brought to the attention of the Board as they should be. He noted that it is rare that a citizen or a council member attends the Board meetings or brings issues to the Board for consideration. He encouraged the Councilman to promptly direct such concerns to the Staff or the Board whenever they are expressed.

Austin suggested and Phaller agreed that a joint work-session meeting of the Board and Council should be arranged to discuss perceptions and policy related concerns in a forum with all Council members. Phaller agreed to propose such a meeting at the next meeting of Council.

Richards and Austin emphasized the importance for the Councilman, and the customers to promptly bring their concerns and complaints to the utility, so that they can be addressed in a timely manor.

Austin explained that in his business he often sees stresses between the electric utilities and the other departments in a city. He sees how the complex and competitive nature of the electric utility makes it necessary for the electric utility to operate differently than water or sewer services might.

Austin stressed that he felt the relationship between the Board and the Council had improved dramatically in recent years, and that the on-going dialog is critical to keeping the process alive. Richards added that there needs to be a commitment from both sides (including city leadership and staff) to constructively report concerns and to support the continued improvements and understanding.

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

- Staff has reviewed and approved a new calculation for payments for the use of the Wolverine 69kV transmission line. The original fee, negotiated prior to 1987 is no longer supported by the billing structure under the MISO rules. If approved at the Federal Energy Regulatory Commission, the new monthly rate of \$1,345 will replace the old per-kWh-rate which has averaged about \$7,000 per month.
- The International Transmission Corporation has agreed to purchase the Michigan Electric Transmission Company, which Lowell is currently interconnected with. No financial or operational impact is known at this time. Richards cautioned that if a premium was paid for the transmission assets, then the cost of transmission usage will probably increase by a similar amount.
- An update on the progress of the Bowes Road express feeder project.
- Preferred Engineering moved to Henderson TN in October, leaving an unpaid electric debt of over \$11,000. Richards reported that after researching the options for collection, including a Tennessee collection attorney, he has determined that further collection efforts would have little chance of success. The company apparently is experienced in running up debt and evading collection.
- An update on the completion of the repairs and preventive maintenance on the internal generators.
- An update on the work being done to meet the environmental requirements at the Chatham St. storage building including:
 - Trough drains for vehicle storage
 - Oil and water separators for the drains
 - Sealing floors to prevent the potential of oils or chemicals being absorbed by the concrete.
 - Bollards to protect from possibility of vehicles damaging the roof support beams
 - Fences to meet security requirements and environmental restrictions.

- The plan to test satellite communications for metering data between Lansing's dispatch center and Lowell's interchange substation. A significant savings on leased data (phone) lines is possible if the testing is successful.
- No response has been received on questions brought before the Mayor and City Council:
 - The request to continue the practice of providing approved utility budgets to the Council in May when it is acting on the overall City budget.
 - A February letter regarding concerns over the lack of performance and qualifications of the Biggs Hausserman audit firm.

Consideration of Tree Removal and Lawn Restoration in R-O-W: In response to concerns expressed by members of Council, the agenda included a discussion of the utility's practices where trees are removed to restore clearance for aerial distribution lines. Richards presented a presentation including the following:

- A recent shift in philosophy from the more costly and less effective practice of routinely cutting back problem trees to one of removing trees when it is acceptable with the property owner.
- The practice of discussing the options with the property owner...cutting for clearance versus removing the tree. The discussion often includes negotiation for removing customer trees that are not a power-line problem, in order to get approval for the needed removals. Discussion also includes leaving firewood if it is desired by the owner.
- Providing information to the customer on the availability of economical stump removal and lawn restoration.
- Results of a survey of the practices of the state's investor owned utilities and those of 14 Michigan municipalities who responded to the survey.
- The cost to remove the average size, 15 inch stump (as quoted by the utility's current contractor) of \$23.00 per tree. The cost to remove the stump and restore the lawn averages \$37.50 per stump.
- The difficulty to access the majority of stumps which are not on level ground or maintained lawns.
- The growth of wild foliage which quickly takes hold on stumps after the trees are removed.
- Locations where a large number of wild trees are removed, making restoration difficult and costly.
- Estimated removal of 3,000 trees over a 12 month period. Estimated stump removal cost would be \$67,000. \$112,000 if lawn restoration were done.
- Additional costs for residential customers would be \$9 to \$15 per residential customer.
- Concerns over the possibility of on-going responsibility by the electric utility for the health and appearance of the customer's restored lawn.

Chairman Austin expressed his opinion that customers view the right-of-way as their own property. He felt that the negative impact and potential ill will from that customer is more costly in the long term than the expense to grind that stump and restore the lawn (of city residents). He acknowledged that in some areas there's a high number of trees growing in that right of way. He proposed that the utility should:

1. Grind stumps and restore lawns to help maintain good will.
2. Coordinate with the City to discourage (by policy) the planting of inappropriate trees in the R-O-W.
3. Consider certain limitations and conditions that would apply to the policy and limit the extent and cost of restorations.

Austin acknowledged that former Board member Thompson has indicated that he would vote against grinding stumps and restoring lawns, arguing that the trees should not have been grown in the R-O-W.

Board member Maatman indicated the he doesn't support a commitment to grinding stumps and restoring lawns. He indicated he was concerned about the policy and customer satisfaction issues that could stem from a practice of selective stump removals and restorations.

Chairman Austin indicated that it was not necessary for the Board to act on the question in this meeting, but that it should be addressed at a future meeting when the full Board can consider the question. He indicated he would work on developing a specific recommendation for future action by the Board.

Richards asked that if the Board changes the current practice, that it should precisely define the new practice and how it applies to past and future tree removals and for all foreseeable conditions that would define which trees and locations are included or excluded.

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.

The Board discussed preferred dates for the proposed APPA "Policymaker's Workshop" program which may be offered in Michigan. They agreed that weekdays would be better than weekends, and late fall would be the best time of year.

Next Meeting: The next regular meeting was set for 5:30 PM on June 29 at the Light and Power offices.

Public Comment: Councilman Pfaller encouraged the Board to consider removing tree stumps when trees are removed in a resident's lawn. He surmised that if stumps were removed (and lawn's restored) only in maintained lawns, then the cost for restoration would be a much more manageable number. He also pointed out that many trees in the R-O-W were actually planted by the city as a part of a projects funded by the Look Fund.

Adjournment: The chairman adjourned the meeting at 7:31 PM

Dave Austin – Chairman

Date