

Minutes
Board of Light & Power
Regular Meeting – March 9, 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, Operations Manager Jeff Mullins and Al Eckman of Lowell High School.

Approval of Minutes: A motion was made by Thompson and supported by Maatman to approve the minutes of the February 2 Board meeting. The motion passed with the unanimous vote of the Board.

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

Award of Materials Bid – Bowes Rd. Express Feeder Project: The Board reviewed a written summary of bids and a recommendation from GRP Engineering for the list of all materials needed for the Bowes Rd. project. The summary indicated that bids for the entire list had been requested from five qualified regional providers; Champion-Charter, Hughes Supply, Reed City, Resco and Wesco. Three suppliers provided bids, but only Reed City bid on all materials on the list, as requested. Two providers bid only on the conductor and a small portion of the other distribution materials.

Discussion followed about why only Reed City would have bid on the full list. Richards and Mullins explained that Reed City had traditionally been the utility's most competitive and reliable supplier. It was not clear why the other providers sent only a partial bid. Richards and Mullins clarified that all bidders had about two weeks to prepare and submit their bid. Thompson asked if Reed City's prices were competitive in this case. Mullins stated he believed that Reed City would be even more competitive on a large project like this one. Richards advised that the Reed City quote of \$195,052 was about 10% below the projected materials cost of \$225,000 in the engineer's estimates.

Richards noted that the component with the longest delivery time was the fiber-optic ground wire with an estimated 16 weeks lead time, so construction could hopefully begin in June.

A motion to award the materials purchase to Reed City Power Line Supply was made by Maatman and supported by Thompson. The motion passes with a unanimous vote of the Board. The Board requested a follow up with the bidders making a partial bid, to learn why they only bid on a part of the project materials.

Richards advised the Board that the construction labor part of the project was being submitted for bids by several qualified utility construction companies in the region, and that the bid opening was scheduled for Wednesday March 22. He asked if the Board wished to hold a special meeting to approve that bid. The Board discussed scheduling the next Board meeting on Thursday March 30. Richards indicated he would check with the

project engineers; GRP to see if an eight day delay in awarding the bid would present any problems.

Consideration To Revise Residential Security Deposit: Richards suggested that the Board consider two issues related to the residential security deposit policy.

The Board considered a proposed amendment to the policy which was offered by staff. The proposal would waive the residential security deposit for any retired person unless and until the account becomes delinquent.

Discussion followed regarding:

- The need and appropriateness of making special accommodations for senior citizens or retired persons or any particular age group.
- The availability and cost of services that would enable the utility to learn a customer's credit history or credit score... the likelihood of average customers being able to provide that information... and the administrative complications of using such a system.
- The potential of customer's providing a letter of credit from their prior electric utility. The policy could be changed to allow customers with documented good credit histories to be exempted from the deposit requirement.
- Concern over the change in a customer's financial situation when they move or buy a home.

A proposal was discussed to provide a form to customers, requesting specific credit information (for the most recent 12 months) from their prior utility. If customers required service before receiving the credit reference, they would be obligated to first pay the deposit, which would then be refunded if the credit history provided was satisfactory. If a customer with no deposit became delinquent, a deposit could then be imposed.

By consensus, the Board indicated support of the proposal. Richards said that staff would work on a proof of credit form for consideration at a future meeting.

Also discussed was a letter from West Michigan Property Management regarding security deposits required of tenants at Stoneridge Apartments. The manager was concerned over the variation of security deposits requirements for tenants, because the deposit is based on the usage of the prior tenant.

Discussion followed about the large variation in electric usage from between different tenants living in the same apartments. Thompson suggested that the opinions would be different if the managers and tenants realized what they were saving in lower electric rates, partly because of Lowell's more stringent credit policies.

Richards suggested that an average usage amount could be used for multiple unit dwellings to calculate a more typical and fair deposit amount. Board members responded with concern over the possibility of increasing the collection risk if the deposit were averaged.

Thompson stressed that the benefits of Lowell's system could be a selling point for the apartments and the utility. Richards agreed and proposed that he meet with the Stone Ridge managers to communicate those benefits. The Board discussed options to

standardize the deposit requirement for the apartment units. Also discussed was the option of the apartment management contributing some portion of the deposit and sharing the risk.

Richards stated that the apartment manager's concern over the inconsistent amount of the security deposit could easily be resolved if the manager were to call LL&P and establish what the deposit for each vacant unit will be.

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

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

The Board discussed the extraordinarily high purchased power expense for the month, contributing to over \$70,000 in negative net income. Richards emphasized that the high January expense is largely increased by adjustments for the actual expenses incurred in September.

Richards reviewed a table of purchased power expenses showing the monthly expense related to the MISO MMI market expenses since the "day 2" market went into effect in April. The table showed that MISO related costs added more than \$28,000 in January for just the Campbell and Belle River energy. He stated that the increased costs affect the Power Pool energy expenses as well, but the MISO related amounts are more difficult to isolate in the Power Pool expenses. He did point out that average Power Pool energy costs had increased from \$0.034 per kWh to \$0.048 since the MISO changes went into effect. He explained that MPPA staff is using new strategies to help minimize the MMI charges. Some of this reduction could be seen in the lower MISO charges evident in the January billing.

Richards advised that several positive developments would help to push down the purchased power costs in future months:

1. The closing of the purchase of transmission entitlements (approved in 2004) should reduce the monthly transmission costs by \$3,000 to 4,000 per month
2. The sale of excess 'emissions credits' that were banked with the Belle River plant would provide a monthly credit of over \$19,000 per month for the next 12 months.
3. The similar sale of excess credits from the Campbell 3 plant will provide a monthly credit of nearly \$17,000 per month.

In all, Richards said the net benefit worked out to more than \$400,000 in credits or reductions in the purchased power costs over the next 12 months. Richards felt these credits combined with changes in MPPA's MISO operating strategies could help to curb the extremely high levels of purchased power costs experienced in the recent months.

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

- The current status of the progress on the purchase of the Chatham Street property for the storage and warehousing project. The work on the environmental study is nearing completion. Discussion followed regarding the future use of the Washington St. property and the desires of the residents living in the area.
- The intent to dispute an unemployment compensation claim of a former employee who left under the terms of a voluntary resignation agreement.
- The intent to pursue collection of \$12,000 in unpaid debt from Preferred Engineering with legal assistance.
- Richards' recommendation to solicit competitive property and liability insurance quotations from Behrends Hendrick Stuit insurance and possibly other insurers. Since the insurance coverage is currently combined with the City, Richards is discussing a joint effort to explore the most responsible and economical insurance coverage for the City and the Utilities.
- Generation Director Russo and another staff member are attending operation and maintenance training at the Fairbanks Morse facility in Wisconsin.
- Consultants assisting MPPA with emissions compliance filings discovered an aberration in equipment on the Kalkaska CT plant, which voided the accuracy of emissions reports previously filed. Physical corrections were made and revised emissions reports are being prepared. MPPA is evaluating possible liability actions against the contractors responsible for the error.
- Plans to hold another demonstration of aerial bucket truck safety procedures at the Lowell Expo on March 25th.
- Consideration of granting special compensation or consideration to a staff member for work performed under extraordinary conditions.

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 March 30 at the Light and Power offices.

Public Comment:

Adjournment: The chairman adjourned the meeting at 7:41 PM

Dave Austin – Chairman

Date