

**Minutes**  
**Board of Light & Power**  
**Regular Meeting – October 4, 2007**  
**Lowell Light & Power Offices**

**Call to Order:** Board Chairman Greg Canfield called the meeting to order at 5:30 pm with Board members Perry Beachum, Jim Hall and General Manager Tom Richards present. Also in attendance were Administrative Manager Mary Sawka; and Operations Manager Jeff Mullins. Mayor Chuck Myers and Councilman Al Mathews were also in attendance.

**Approval of Agenda:** Richards asked for approval of the agenda with the addition of two items; (1). A discussion regarding residential security deposits and (2). A request from the Lowell Chamber of Commerce for the Board to consider sponsoring and decorating the pine tree (on Main Street at the NE corner of the bridge) for Christmas. Richards asked these additions to be action items E and F. There was a motion by Beachum and second by Hall to approve the agenda with action items E and F added to the agenda. The motion passed with the unanimous vote of the Board.

**Approval of the Minutes:** After discussion regarding the date of the work session with City Council being on September 13 and not October 13, and clarification that the fence needing repair was the one around the substation between Riverside and Broadway, Hall made a motion to accept the minutes with the amended changes. It was seconded by Beachum. The motion passed with the unanimous vote of the Board.

**ACTION ITEMS:**

**Accounts Payable:** After discussion regarding lawn care at the substations and the cost of tree trimming, Hall made a motion to approve the accounts payable as presented. It was seconded by Beachum. The motion passed with the unanimous vote of the Board

**Review of Public Act 141:** Jim Weeks, the MMEA Executive Director joined the meeting at this time to brief the Board on Public Act 141 and the current activity by municipal utilities and the legislature to revise, repeal or amend the act. Weeks' presentation included:

- Michigan's constitution and legislation establishing the rights and limitations of the state and municipalities in providing public power.
- The limited protection that municipalities receive from encroachment from investor owned and alternative electric suppliers.
- The requirement of a local franchise and Act 69 certificate before any competitive provider may serve within the community.
- The rules for customers in areas served by two or more regulated utilities.
- The considerations for municipalities under PA 141 to 'open up' to competitive electric providers, or become an Alternative Electric Supplier themselves.

- The limited risks for communities that decide not to adopt a generation choice program.
- Legislative committee hearings and possible new legislation to repeal or modify the state's energy policy in this legislative season.
- The need for legislative changes before new electric generation can be built in Michigan.
- A recommendation to monitor legislative efforts for likely changes and to avoid making customer choice changes prematurely.
- The Board thanked Weeks for his presentation and recommendations.

**Review – Service Reconnection – Inspection Policy:** Richards provide the Board with a background of the utility's policy and practice of refraining from energizing any customer's service where there is clear evidence of a hazard or substandard condition with the customer's service wiring. Customers are advised that the electrical inspector must approve the installation before the service will be re-energized. There was discussion on service upgrades. There was a question as to how many service upgrades Lowell Light & Power has in one year. Mullins estimated that there were 10 to 20 per year.

Richards asked if the Board wanted to research alternatives to this policy. Canfield said he wanted to talk to the electrical inspector. He was curious as to what the inspector looks for. Canfield did not, however, feel there was any reason to schedule this for any further discussion. Beachum interjected that the electrical inspector was very helpful when he was at his home for an upgrade.

**Review – Policies - Late Payment and Termination for Non-Payment:**

Richards provided a briefing regarding the policy for late charges and termination for non-payments. Canfield reported that Dean Lonick of Michigan Wire had contacted him shortly after the Michigan Wire fire regarding a late fee that Lonick received. Lonick showed a computer generated check that was cut on the 19th and the electric bill was due on the 20th. The check cleared his bank on the 24th. Canfield reported that Lonick had a thousand dollar late fee. Lonick did the math and came up with five percent interest which is what is stated in the policy. Lonick crossed off the late fee and did not pay it when he paid the monthly bill.

Canfield questioned whether five percent was legal. He said he had always thought that 1.5 percent was the correct rate of interest. He said he thought that Lowell Light & Power should give a grace period of a few days in case there was a problem with the postal service. Richards explained that the five percent charge was a one time charge and not a compounded interest amount. Richards reported that he researched a number of municipal utilities and all but one was doing a similar charge. The majority were doing a two percent and at least three or four of them were doing a five percent penalty as Light & Power does.

Richards also reported that in the last 12 months Light & Power has had 435 customers that have at least once been on the shut-off list for non-payment. There was an average

of \$199.00 collectable when the shut off is occurring. The majority of these customers have had late payments at least six times in the last 12 months. Out of 2600 customers about 20 percent of them are in this category. Jim Hall expressed his thoughts that the \$3.00 flat fee was not enough and five percent was too much for late charges. Canfield also felt that five percent was too high.

Beachum asked for the staff to do a study and verify legality of late payment fee dollar amounts and percentages, but the Board agreed that with regard to Michigan Wire if the late payment fee is not paid, according to the policy as written now Michigan Wire would be shut off.

**Resolution – Authorized Signatures – Huntington Bank:** Richards reported that since there is a new Board member, that signature cards have to be done over again. Beachum moved that Light & Power adopt the resolution to approve the current Board members and managers to sign checks on the account at Huntington Bank. It was supported by Hall. The motion passed with the unanimous vote of the Board. Board members signed the authorization form.

**Residential Security Deposits:** Richards read from the current policy stating that Light & Power may require any customer to establish or increase the security deposit if management deems the account as a credit risk or if increased energy uses caused the customer's deposit to fall short of the required deposit.

Richards reported that staff was monitoring the bad debt and late payments and looking at whether or not customers have the required security deposit. He noted that some property owners (who have met payment requirements) have had their deposit returned previously. In the case of renters, very often there is an insufficient deposit but the customers are experiencing bills higher than was anticipated with the original deposit. He stated that the utility has been mailing out letters telling these customers that they have to establish a deposit. The problem is that a lot of these customers are saying they don't have the money or they are not going to make a deposit.

Richards suggested that a payment plan or a requirement of some minimum progress toward satisfying that deposit might help customers meet the requirement. He said staff is requiring the deposit within 30 days, but the policy provides no penalty if they refuse or fail to meet the deadline. Richards cited Preferred Engineering being given a period of six months to pay their deposit. Canfield thought that it was a good idea to give people a six month period in which to pay deposits. Sawka gave examples of a couple of customers that she had talked to that agreed that they would be able to pay the deposit if spread out over a couple of months. She also informed the Board that some of the deposits were quite high. One residential deposit was \$623.00, another \$413.00 and one commercial was \$1077.00. Canfield asked how the deposit is figured. Sawka informed him it was 2 times the highest bill at that residence in the last 12 months.

It was agreed by the Board to table this issue until the next Board meeting where it will be on the agenda and discussed again.

**Tree Decorating – City Christmas Tree:** Richards informed the Board of the request from the Lowell Chamber for the utility to be responsible for the lighting of the pine tree that was discussed earlier for the Christmas season. Richards asked Liz Baker from the Chamber for clarification as to if this was a one time thing or a perpetual thing. She replied it was perpetual. Richards reminded the Board of the benevolence policy. The Board felt it would be good public relations to do the lighting. It was moved by Beachum that Light & Power accept the responsibility of lighting the pine tree as requested by the Chamber. It was seconded by Hall. The motion passed with the unanimous vote of the Board.

### **INFORMATION ITEMS:**

**Performance Data:** Richards highlighted the Paine Webber balance and bank balance explaining about the \$400,000.00 that came from the cable loan payoff.

**Income Statement:** The Board reviewed the utility's revenue and expenses for September.

### **Other Items:**

**Richard's Park Line Clearance:** Canfield asked if there was a schedule of where tree trimming would be taking place. He asked for a copy of the schedule. Matthews told the Board that he thought that at the last joint work session with the City Council it was his understanding that there was an agreement that there would be no tree trimming at Richard's Park until some coordination was done with some concrete work that was being considered at the park. Hall said he did not understand it that way at all. Richards explained that at the park the trimming was already under way and there were limbs touching the wires. Light & Power recognized the risk and had the trees trimmed per the policy to correct the immediate electrical hazard. However, Beachum said he contacted Richards and asked about the proposal to coordinate the trimming and concrete work. Richards halted the scheduled tree removals in the park. Richards apologized for his role in failing to initiate the communication that should have happened between himself, Dan Desjarden and Parks Commission.

After more discussion Beachum suggested that ornamental trees could be planted in the park that would not interfere with the electric wires. Hall assumed that there would be more discussion at the next Parks Commission meeting regarding power line clearance trimming. Beachum wants it cleaned up in the park where the trees were cut down and grass and ornamental trees planted. Canfield stated that there should be no more cutting of trees in the park until there is an order from the Parks Commission or the City Council to take them down.

**Stump Grinding:** Discussion followed regarding stump grinding. Beachum would like to see Lowell Light & Power be responsible for all stump grinding and not have

the homeowner responsible to hire a grinding company and then get a credit from Light & Power. Canfield agreed with Beachum that Lowell Light & Power should be responsible for the stump grinding.

After more discussion it was moved by Beachum, supported by Hall that any tree that Lowell Light & Power removes either on private property or public that Lowell Light & Power pays for the stump grinding. The motion passed with the unanimous vote of the Board.

**Washington Property Clean-up:** Mathews asked Richards to give a list of items to be cleaned up from the Washington Street pole yard to the City Manager for the Monday night work session. Richards informed Mathews that he would be at the meeting. Richards showed Mathews pictures of what would be picked up and removed from the site.

**Sale of Vehicles:** Richards informed the Board of the public bid sale of the 1995 retired pickup truck owned by Lowell Light & Power for \$770.00. Bryce Updegraff was the high bidder.

He added that the trailer that was for sale was bought by another of Light & Power employees since all received were from staff. .

**Schedule of Meetings:** Richards reminded the Board of the Public Power Open-House on Saturday October 13th. Richards said he would also attend the Washington Street property meeting. Richards also showed the Board the team picture that will be in the Lowell Ledger ad for the Open House.

**Complaint Register:** The Board discussed the one complaint on the register.

**Date for Next Meeting:** The next regular Lowell Light & Power Board meeting will be held on Thursday, November 1st.

**Public Comment:** There were no public comments.

**Manager Compensation – Performance Evaluation:** Beachum stated that he believed that 35% of the manager's compensation was allocated to the cable system. He questioned whether the Manager's salary should be adjusted because there is less work. He also asked what the ratio was between field personnel and office personnel. Richards replied it is about fifty-fifty between office and field personnel. Beachum said if a third of the work load was cable and only one employee was let go what are the other employees now doing with the cable system gone? Richards replied that even when the cable system was entirely separate there were only three full time staffers. He stated that Light & Power had been at below the normal staffing level prior to the cable sale. He explained that the cable installer had been transitioned onto Light & Power service crew, and that the administrative and clerical staff level had not been changed so that that manpower would be available for expanded services and tasks being added to the electric

added to the electric operation. Mullins mentioned that the Light & Power outside crew was currently one person short of our normal staffing level.

Richards passed out the market compensation and performance review procedure that was established by the Board in February of 2000. He stated that, for the Manager's compensation, the established procedure had not been followed last year. He stated that the manager's compensation for 2007 was resolved in March. In that late-March meeting there was a review of his performance compared to goals and objectives established by the Board and there were some new goals verbalized in that meeting but never reduced to writing. Richards said that he believed it was Dave Austin's plan to document the goals but he has never seen it. He suggested the Board may want to talk with Dave and get his notes. He thought it wouldn't be appropriate for the Board to rely just on the manager's own notes. Canfield said he would get hold of Dave Austin and see what Dave had to share with the Board. Richards also provided the Board with compensation surveys:

- A 2007 national survey of municipal utility management compensation conducted by APPA
- A 2006 regional survey of municipal utility compensation (for all LL&P positions) commissioned by LL&P and conducted by Utility Financial Solutions.

After more discussion it was decided that in the November Board meeting the Board would go into executive session and discuss Richard's performance and compensation.

**Adjournment:** Beachum made a motion to adjourn the meeting and it was supported by Hall. The motion passed by unanimous vote of the Board. The meeting was adjourned at 8:39 pm.

  
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Greg Canfield, Chairman

11-1-07  
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Date: