

MINUTES
BOARD OF LIGHT AND POWER
REGULAR MEETING OF March 4, 2010

- I. CALL TO ORDER AND ROLL CALL:** The meeting was called to order by Vice-Chairman Johnston at 6:07 p.m. There was a motion by Beachum and a second by Hall to excuse Chairman Canfield from the meeting. The motion carried by unanimous vote of the Board. Present were Johnston, Hall, Beachum and Valentine. Also present were General Manager Pierce, Administrative Manager Sawka, Utility Foreman Russo and Mayor Hodges.
- II. APPROVAL OF AGENDA:** There was a motion by Beachum and a second by Hall to approve the agenda as presented. The motion passed by unanimous decision of the Board.
- III. MINUTES OF MARCH 4, 2010:** There was a motion by Hall and a second by Valentine to approve the minutes of February 4, 2010. The motion carried by unanimous decision of the Board.
- IV. PUBLIC COMMENTS (items not on the agenda):** There were no public comments.
- V. ACTION ITEMS:** There were no action items.
- VI. INFORMATIONAL ITEMS:**
- A. Performance Data:** General Manager Pierce reported that the utility's current month Requirements were up over the previous month and also up over a year ago. He added that the total electric sales were also up over a month ago. Pierce noted that the utility was still declining in customers but that the trend seemed to be bottoming out. He advised the Board that Good Chevrolet and Pizza Hut had both gone out of business. Even with the loss of these commercial customers the utility showed an increase in commercial sales for the month.
- B. Income Statement of January 2010:** The Board reviewed the income statement. Pierce reported that the income was on track with the budget in terms of revenue and expenses.

C. Manager's Report:

MPPA/MMEA/APPa Update:

Pierce gave the Board an MPPA/MMEA/APPa update. Granger informed MPPA that the 800kw Grand Blanc facility should be online by late summer and a project agreement was signed. Granger expects 4MW to be online for MPPA utilities by the end of 2010. Granger is also holding some inexpensive REC's and MPPA is encouraging its member to purchase them.

Pierce reported that the Combined Cycle siting is moving forward with a detailed review of four sites. He also reported that the CT project members requested that a more detailed look be taken at the Kalkaska site.

Pierce reported that the new MPPA Energy Services Committee met in February to discuss the transition from the Power Pool to the Energy Services mode of operation beginning January 2011. A key aspect is that MPPA will need a consistency in collecting metered usage data for reporting purposes. This requires all members that have outdated RTU data collection devices upgraded to modern digital (smart) metering capabilities. This update cost will be a cost of approximately \$45,000 to the utility. Pierce suggested that this topic be discussed further under the Capital Plan.

Lowell Light and Power met with the NERC compliance officer (Jim Nichols) of the MPPA. There was discussion of the new compliance issues and requirements that are pertinent to small electric utilities. Pierce said that the utility will have to engage in some training that will help the utility recognize and respond to potential threats as related to homeland security and safe operation of the electric grid.

Pierce reported that the APPA/MMEA Legislative Rally in Washington DC was a successful event. The utility met with 9 Michigan Senators and Congressmen and discussed needs and concerns on climate legislation and the grant funding needed to support renewable R & D for non-profits.

Disaster/Mutual Assistance Agreements:

The Board discussed the Disaster/Mutual Assistance Agreement that Pierce provided to them in their Board packets.

Policy Issues: Pierce said the issue of LLP Operating Policy 2-12 as raised by Hall is in need of revision. He will present an updated policy to the Board at the next Board meeting.

A second issue raised by Hall was travel expense. He believes that a spouse of the Board member should be included in the travel expense when a Board member must travel for the utility. Sawka brought up that the utility does not currently have a policy regarding travel expenses. After more discussion Pierce will investigate the issue with other utilities and report back to the Board.

Rate Comparisons: The question arose at the last Board meeting regarding rate comparisons. Pierce provided to the Board a rate comparison developed by Michigan Public Service Commission in 2008 in which Lowell Light & Power compared very favorably to most of the other utilities. He will report back to the Board when he attains more recent data.

Utility Reserves and the Charter: The question was brought up at the last Board meeting about what is the amount of reserves required under the Charter. Pierce explained that the Charter states that the Utility Reserve Fund shall be 20% of the undepreciated original cost of the utility, and shall not be allowed to fall below the sum of 10% of the current replacement value of the utility. Pierce said the utility is above the 10% current replacement value but below the 20% undepreciated original cost. He believes the wording of the Charter allows the difference between these two areas to be a "working capital float" and will discuss our current level of reserves further during Long Term Financial Projections and Budgeting.

Long Range Financial Planning and Budgeting: Pierce expressed the importance of long range financial planning and budgeting. He presented to the Board a long term financial model extending out to the year 2024 for the Boards review. He said the model projection for 2011 is

the basic starting point for the budget. He presented to the Board a draft copy of the budget for the fiscal year 2010-2011. Pierce said included in the budget is a projected 3% increase in the cost of employee benefits and wages. His plan would be to award merit adjustments first and any balance of the money be used for cost of living. Also included in the budget is the projected Capital Plan for 2011.

After more discussion and review of the budget by the Board, there was a motion by Beachum and a second by Valentine to approve the budget as presented for the year 2010/1011. There was a suggestion by Johnston that the approval should wait for more data and until all Board members would be present for the vote.

Yeas: 1 Nays: 3 The motion failed.

Beachum stated that by Charter the Board is supposed to present to the City Council the approved budget as of March of each year. Pierce said that a draft budget, not necessarily the approved budget can be presented to the City Council by March. Mayor Hodges agreed. After more discussion there was a motion by Beachum and support by Valentine to send the draft budget to the City Council as presented.

Yeas: 3 Nays: 1 The motion carried.

D. Schedule of Meetings:

The next regular Lowell Light & Power Board meeting is scheduled for Thursday, April 1st, 2010.

The next joint meeting between the City Council and LLP is scheduled for Monday, March 8th, 2010 at City Hall. The main topic of discussion will be the recent MERS requirements for participation in the annual COL program. MERS raised their program requirements in 2009 such that participants must be 80% funded to qualify. Neither the city nor LLP are at the 80% level. The group will discuss possibilities for achieving the requirement.

E. Complaint Register: There were no new complaints.

IX. BOARD COMMENTS:

Beachum asked if Lowell light & Power will be participating in the Lowell Expo. Pierce said that the utility will be participating and will have bucket truck there again for pole top rides. Beachum asked if there would be a table booth inside. Pierce confirmed there will be a booth. Beachum suggested that the utility have a tablecloth with the utility's logo on it for the table.

Valentine gave a brief rundown of the events and activities of the conference in Washington that he attended. Beachum thanked Valentine for attending this conference. Valentine felt that the conference was very beneficial to him as a Board member and also to the utility itself.

Hall had no comments.

Hodges thanked the utility for being a part of the Lowell Expo. He felt it was good public relations in being part of community events. He added that the fire department is also having a pancake breakfast that same morning. Hodges also said that the annual Mayor Exchange Day is with the city of Greenville. Greenville will visit Lowell on Thursday June 3rd, and Lowell will visit Greenville on Thursday, June 10th. He said the City of Lowell is interested in the way Greenville handles yard waste and compost. Hodges said that the bridge project is to begin in March. Hodges also added that there are openings for seats on the Planning Commission.

Johnston said he is pleased that the utility's A plus program has been advertised in the newspaper. Johnston asked for an update on the Utility Protection Program. Pierce said that the bill has been passed by the governor and that the utility is in compliance. Pierce also suggested that the utility have a free will donation bucket at the Expo to benefit the A plus program. It was agreed by the Board that the bucket should be placed inside at the booth and not outside at the truck ride site.

Hall asked for an update on the amount of money collected from the round up A plus program. Pierce said that about \$212 had been collected in the first month and that about \$90 had been collected in the second month.

Pierce reported to the Board that two employees will be attending the lineman rodeo coming up in Nebraska.

IX: ADJOURNMENT: There was a motion by Beachum and a second by Valentine to adjourn the meeting. The motion passed by unanimous decision of the Board.

Chairman, Greg Canfield

Date