

The HBPW Board of Directors met **Monday, March 9, 2009** at 4:00 p.m.  
in the Service Center Board Room  
625 Hastings Ave  
Holland, Michigan

**Chairperson Bryan Gras called the meeting to order at 4:00 p.m.**

**Members Present:** Rich Cook, Paul Elzinga, Bryan Gras, Tim Hemingway, James Storey, and Ex Officio Member Soren Wolff

**Members Absent:** None

**Staff Present:**  
Executive: Dave Koster, Dan Nally, Ellen Taub, and Freda Velzen

Staff: Kevin Boeve, Loralyn Bunce, Joel Davenport, Andree Keneau, Bob Mihos, Mike Radakovitz, and Dan Sorek

**Others Present:** City Council Liaison: Craig Rich  
Media Representative(s): Holland Sentinel, Grand Rapids Press

09.030 **Consent Agenda**

(Item 1A – Minutes of February 9, 2009; Item 1B – Dark Fiber Lease Agreement with Davenport University; Item 1C – Dark Fiber Lease Agreement with Grand Rapids Community College; Item 1D – Natural Resources Conservation Service Grant Agreement; Item 1E – Appoint FACTA Red Flags Rule Designee; Item 1F – Renewable energy Supply Plan and Draft energy Optimization Plan; Item 1G – Drinking water Revolving Fund Project; Item 1H – ADVEC Confidentiality Agreement; 1I – Union Arbitration Extension)

All items listed as Consent are considered to be routine or previously discussed. If requested, the item will be removed from the Consent Agenda and considered separately.

Motion to approve Consent Agenda	<i>Storey</i>
Second	<i>Hemingway</i>
Favor	<i>5</i>
Oppose	<i>0</i>

09.031 **Dark Fiber Lease Agreement with Davenport University**

The current DFLA between Davenport University and the HBPW has expired. Davenport University has requested to continue leasing dark fiber from the HBPW. Davenport University has agreed to terms and conditions in the newly revised dark fiber lease agreement. The monthly revenue from this lease is \$1155.00. The DFLA is awaiting City Attorney approval as to form

*As part of the Consent Agenda. The Board of Directors approved the Dark Fiber Lease Agreement with Davenport University, and forwarded to City Council for approval.*

09.032 **Dark Fiber Lease Agreement with Grand Rapids Community College**

The current DFLA between GRCC and the HBPW has expired. GRCC has requested to continue leasing dark fiber from the HBPW. GRCC has agreed to terms and conditions in the newly revised dark fiber lease agreement. The monthly revenue from this lease is \$1656.27.

*\* Red italics indicate information or discussion added during the meeting and/or action taken.*

The DFLA is awaiting City Attorney approval as to form.

*As part of the Consent Agenda, the Board of Directors approved the Dark Fiber Lease Agreement with Davenport University, and forwarded to City Council for approval.*

09.033 **Natural Resources Conservation Service Grant Agreement**

The damages to the public sanitary sewer system due to the heavy rains in June 2008 were localized to specific sections of the system. Staff has worked with representatives of Natural Resources Conservation Service (NRCS) to document the damages and costs related to the storm. Eligible costs include the repairs to be made to several sections of public sanitary sewer mains along some 'cross-country' sewer mains installed in the mid 1960's.

NRCS has determined that the cost of the necessary repairs will be \$68,500 and they are proposing to fund 75% of that figure, or \$51,375. The Board authorized a contract with Driesenga & Associates in December 2008 to conduct the design and construction administration for the repairs to these sanitary sewer mains that run along the creeks. Driesenga has an early estimate that the construction will be in the neighborhood of \$400,000. The difference in the estimates is that the NRCS will only consider the cost of the repairs, not any additional mitigation to protect the sanitary sewer main from being damaged from future rain events.

Staff previously secured over \$46,000 in Federal Emergency Management Agency (FEMA) funds to help defray these costs and will pursue additional reimbursement from FEMA if possible to pay for the remainder of the creek sewer project not covered by NRCS. Many of the Holland BPW's cost attributed to the storm include cleaning costs paid for customers who were affected by the storm.

*As part of the Consent Agenda, the Board of Directors approved the Natural Resources Conservation Service (NRCS) Project Agreement providing for \$51,375 to partially fund the necessary repairs to the public sanitary sewer system, pending review as to form by the City Attorney. Adopted a resolution to authorize the General Manager to sign the assurances for real property acquisitions.*

09.034 **Appoint FACTA Red Flag Rule Designee**

A Red Flag is a pattern, practice or specific activity that indicates the possible existence of identity theft. The FACTA Red Flags Rule requires entities that have "covered accounts" to develop, implement, and administer a written Identity Theft Prevention Program to detect, prevent and mitigate identity theft in connection with opening a new account and maintaining existing accounts. A "covered account" is any consumer account designed to permit multiple payments or transactions. The FTC has clarified that municipal utilities are required to comply as they provide a service for which payment is deferred and the accounts of customers permit multiple transactions.

The Program must be appropriate to the size and complexity of the utility and the nature and scope of its activities. Oversight of the Program by the senior level designee involves development and implementation, assigning responsibilities, reviewing the program and procedures and approving changes to the Program. The written Program does not require approval by the governing body due to its content of security related issues.

*As part of the Consent Agenda, the Board of Directors approve the appointment of Freda Velzen, Finance Director, as the designated program manager to develop and implement an identity theft prevention program to comply with the Red Flags Rule effective May 1, 2009.*

09.035 **Renewable Energy Supply Plan and Draft Energy Optimization Plan**

Public Act 295 was signed into Michigan law in October, 2008 to promote the development of clean energy, renewable energy, and energy optimization through the implementation of a clean, renewable, and energy efficient standard. The intention of the Act is to diversify the resources used to reliably meet

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the state's energy needs, provide greater energy security through the use of indigenous energy resources available within the state, encourage private investment in renewable energy and energy efficiency, and provide improved air quality.

In order to meet the requirements of the Act, the Holland Board of Public Works (HBPW) is required to provide an opportunity for public comment on the proposed plans. The period for written public comment will commence on March 9, 2009 and end on March 19, 2009. A public hearing will be held on March 19, 2009 to receive oral comments.

*As part of the Consent Agenda, the Board of Directors opened the public comment period beginning March 9, 2009 and ending the March 20, 2009 to receive written comments on the draft Renewable Energy Supply plan and the draft Energy Optimization plan and approved conducting a public hearing on March 19, 2009 to receive oral comments on these plans.*

09.036 **Drinking Water Revolving Fund Project**

The Drinking Water Revolving Fund Project (DWRP) program provides low interest loans (currently 2.5%) to assist water suppliers in satisfying the requirements of the Safe Drinking Water Act. Projects applying to the DWRP program are awarded loans based on available funding and priority listing. Priority listing is based on a scoring system that the Michigan Department of Environmental Quality (MDEQ) utilizes based on project needs and deficiencies addressed.

In order to meet the requirements of the project, the Holland Board of Public Works (HBPW) is required to provide an opportunity for public comment on the proposed plans. The period for written public comment will commence on March 11, 2009 and end on April 13, 2009. A public hearing will be held on April 13, 2009 to receive oral comments.

*As part of the Consent Agenda, the Board of Directors opened the public comment period beginning March 11, 2009 and ending the April 13, 2009 to receive written comments on the Drinking Water Revolving Fund Project and approved conducting a public hearing April 13, 2009 to receive oral comments on these plans.*

09.037 **ADVEC Confidentiality Agreement**

ADVEC Power Systems, Inc., a New Mexico corporation having a place of business at Los Alamos, New Mexico, doing research and development in alternative energy systems. As part of our long term business plan, this agreement will enable both parties to work together in a confidential manner toward appropriate solutions for energy production and control of emissions. The requested resolutions will allow staff to continue discussions in a mutually confidential manner.

*As part of the Consent Agenda, the Board of Directors approved the respective resolution authorizing a Mutual Confidentiality Agreement with ADVEC Power Systems, Inc. and forwarded a resolution requesting the same of the City Council.*

09.038 **Union Arbitration Extension**

The Holland Board of Public Works (HBPW) and Union representatives began labor agreement renewal discussions in December 2008. These discussions have been productive and both parties believe they are nearing a tentative agreement, subject to legal review, Board and City approval, and Union ratification. Despite the significant progress that has been made, both parties concur that there is inadequate time to reach a tentative agreement prior to the March 31, 2009 expiration of the current labor agreement. If approved, the Letter of Understanding would extend all current labor agreement provisions for a period of up to one month.

*As part of the Consent Agenda, the Board of Directors approved the Letter of Understanding extending the contract and forwarded to City Council for approval.*

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09.039 **Communications from the Audience**

*There were no communications from the audience.*

09.040 **Financial Statement – Not Yet Available**

09.041 **Contract for Coal Conversion Study**

During the past 6 years, the HBPW has been steadily increasing the percentage of “PRB” sub-bituminous coal. This coal type is considerably less expensive, but also has a lower heating value and other fuel handling and combustion related issues that must be overcome to burn effectively. The current coal specification allows for a PRB content of up to 25% within the coal blend.

The recommended evaluation will first identify specific capital and operational improvements required to optimize plant performance for all three generating units at the current 25% blend of PRB coal. The evaluation will detail the capital and operational improvements that should be completed to support the current specification of coal as well those needed to allow an increase in PRB usage at both a 60% and 100% level. This project is budgeted in the amount of \$50,000 in the Fiscal Year 2010 budget. The projected economic savings to the operating costs associated with increasing the blend of PRB coal warrants beginning this evaluation as soon as possible.

*The Board of Directors approved a contract with Benetech, Inc., pending City Attorney approval as to form, for the performance of a PRB coal utilization study, in the amount of \$42,289; and, approved a transfer from contingency in the amount of \$47,000 to cover the contract amount plus additions or travel expenses that may be needed during the study.*

Motion to approve contract	<i>Elzinga</i>
Second	<i>Hemingway</i>
Favor	<i>5</i>
Oppose	<i>0</i>

09.042 **Contract for Fly Ash Equipment**

Ash produced from the combustion of coal at the James DeYoung (JDY) generating station is removed from the boilers and electrostatic precipitators (ESP's) on a daily basis. One module of the ash removal process is the separation of the fly ash from the vacuum air conveying system. The vacuum air conveying system is used to transport the fly ash from the boilers and ESP's to the ash storage silo located on the JDY site.

The original fly ash separating equipment was supplied by Detroit Stoker Company and made operational in 1984. Since the original installation numerous maintenance activities have been performed on the equipment due to the large number of moving parts and due to the erosive nature of the fly ash. The condition of one piece of the separating equipment module is now beyond the reach of normal maintenance activities requiring replacement.

The recommended equipment incorporates a newer design including fewer moving parts and less compressed air requirements that will result in longer life and lower operating costs.

This recommendation is for Detroit Stoker to supply the equipment necessary for this change out and to supply the on-site mechanical and electrical labor.

*The Board of Directors approved the low evaluated bid supplied by Detroit Stoker Company in the amount of \$505,675 and approved the project for a total cost of \$550,000 including a project contingency of \$44,325. A budget transfer from contingency to capital in the amount of \$190,000 is requested because this project was originally budgeted for \$360,000 in FY 2009.*

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Motion to approve	<i>Elzinga</i>
Second	<i>Cook</i>
Favor	<i>5</i>
Oppose	<i>0</i>

**09.043 Budget Approval for Fiscal Year 2010**

Each of the utilities has seen a substantial reduction in investment earnings. The Electric Utility investment earnings dropped 65.15% from the FY2009 forecast. In addition, the recently enacted state legislation requiring investment in renewable energy and implementation of energy optimization plans have added additional revenue requirements to the Electric Utility. The proposed Electric Utility budget includes additional revenues of \$2,800,000 which translates into a \$4.13 monthly increase to most residential customers and a \$19.76 monthly increase to most commercial customers. The Water Utility has limited cash reserves and necessary capital investment continues to diminish cash reserves. In addition, the Water Utility issued bonds in FY2005 to fund a variety of capital projects and the principal payment for those bonds is now starting to increase the cash demand. The proposed Water Utility budget includes additional revenues of \$725,000 which translates into a \$0.68 monthly increase for most residential customers and a \$37.94 monthly increase to most commercial customers. The Wastewater Utility investment earnings have dropped 75.42% from the FY2009 forecast. This is particularly troublesome since the utility has for many years had negative operating income and has relied on investment earnings to maintain positive net income. The reduction in interest income and the effort to cover operating expenses result in additional revenue requirements of \$1,055,000 that translates into a \$4.10 monthly increase for most residential customers and a \$24.03 for most commercial customers.

*The Board of Directors approved the proposed Holland Board of Public Works budget for Fiscal Year 2010 and submitted the budget to City Council for their adoption.*

Motion to approve	<i>Cook</i>
Second	<i>Hemingway</i>
Favor	<i>5</i>
Oppose	<i>0</i>

**09.044 Rate Adjustments for Fiscal Year 2010**

During the budget process, a five to ten year forecast is developed for each utility to project the financial position and determine the revenue requirements to sustain a reliable system and services to the community.

The proposed Fiscal Year 2010 Budget Board Agenda Discussion section detailed the need and the dollar impact of the revenue requirements for each of the Utilities. The July 1, 2009, November 1, 2009, and May 1, 2010 will spread the needed revenue increase over an entire year. The rate sheets define the proposed rate design and specific dollar amounts of the elements in the rates.

*The Board of Directors approved the tariffs per the rate sheets that represent an increase effective July 1, 2009 for the Electric Utility, November 1, 2009 for the Water Utility and November 1, 2009 as well as May 1, 2010 for the Wastewater Utility, as detailed and presented in the fiscal year (FY) 2010 Proposed Budget.*

Motion to approve	<i>Gras</i>
Second	<i>Hemingway</i>
Favor	<i>5</i>
Oppose	<i>0</i>

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**Board Communications Review and Update  
ANNOUNCEMENTS**

There were no announcements.

**ADJOURNMENT**

A motion to adjourn the meeting of March 9, 2009 was made by *Gras* supported by *Hemingway* and agreed upon by the Board of Directors present.

The Board Meeting of March 9, 2009 adjourned at *5:30 p.m.*

Minutes respectfully submitted by,

Loralyn A Bunce  
Secretary to the Board