

The HBPW Board of Directors met **Monday, June 8, 2009** at 4:00 p.m.
in the Service Center Board Room
625 Hastings Ave
Holland, Michigan

Vice Chairperson Jim Storey called the meeting to order at 4:02 p.m.

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

Members Absent: None

Staff Present: Loren Howard, Dave Koster, Dan Nally, and Freda Velzen; Bill Bush, Loralyn Bunce, Jon Hofmann, Andree Keneau, Bob Mihos, Abel Rodriguez, Chris VanDokkumburg, Randy Van Vels, and Judy Visscher

Others Present: City Council Liaison: *Craig Rich*
Media Representative(s): None

09.074 **Consent Agenda**

(Item 1A – Assignment of Clerk Duties ; Item 1C – Water Plant Property Lease Agreement; Item 1D – Ultra Violet Camera Purchase; Item 1E – Contract for Water Replacement and Sewer Construction; Item 1F – Contract Extension for Electrical Construction; Item 1G – Purchase & Installation of Feed-water Regulating Valve; Item 1H – Amendment to Surplus Equipment and Materials)

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.

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| Motion to approve Consent Agenda | <i>Cook</i> |
| Second | <i>Elzinga</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

09.075 **Assignment of Clerk Duties**

Prior to 1999, the City Clerk or Deputy City Clerk attended Holland Board of Public Works (HBPW) Board of Directors meetings and performed the duties of complying with the Michigan Open Meetings Act and recording meeting minutes. In late 1999, the City informed the HBPW that due to workload issues, the City Clerk would no longer attend HBPW Board meetings. Since then, the Secretary to the Board duties has been performed by an HBPW employee.

At its May 11, 2009 meeting, the Board of Directors approved formally establishing the Secretary to the Board as a compensated ancillary duty to be assigned to an HBPW employee. In reviewing this Board action, the City Attorney recommended the City Council and Board of Directors formalize the Secretary to the Board position to be consistent with section 12.7 of the City Charter. This formality will resolve a lack of written records regarding the 1999 transition of duties from the City Clerk to an HBPW employee.

As part of the Consent Agenda, the Board adopted the resolution requesting assignment of Clerk duties to the Holland Board of Public Works (HBPW) Secretary to the Board, and forwarded to City Council for action.

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

09.076 Water Plant Property Lease

The Holland Board of Public Works (HBPW) owns property to be leased to Ottawa County that includes an approximately two hundred feet wide parcel adjacent to and north of Tunnel Park. . Also included in the lease is property along the south side of the treatment plant outside of the fence along Perry Street which the County uses for overflow parking.

The terms of the new lease are similar to the existing lease and consist of the following: Total rent of one dollar; Ottawa County will pay \$500 for the preparation of the lease; Use of the property is restricted to general park purposes consistent with the master plan filed with the City of Holland. Ottawa County will maintain the property, caring for the lawn, fence and sprinkling system; Ottawa County indemnifies and insures the City of Holland against all liability from its use of the property; Upon termination of the lease, Ottawa County shall return the property to its original condition; and either party may terminate the lease with a minimum of six month's notice.

The lease arrangement has worked well over the past twenty years. The public has been able to enjoy the additional property for park uses. The Water Treatment Plant is saved from the expense of maintaining the lawn, sprinkling system, and fence.

As part of the Consent Agenda, the Board of Directors approved a new ten year lease agreement for the designated portion of the water treatment plant property to Ottawa County for Tunnel Park uses.

09.077 Ultra Violet Camera Purchase

In January 2009, an insulator on our 138kV transmission system over the River Avenue Bridge failed and broke loose. Several lines and heavy porcelain insulators fell to the road and bike path below. The cost of this repair exceeded \$25,000. The falling lines and insulators had the potential to seriously injure or kill someone and also could have caused a power outage to a substantial portion of the Holland area. Examination of the failed insulator showed a pre-existing crack. Cracks like this often create corona and can be detected by ultraviolet cameras. Detecting problems with the camera prior to failure would save costly repairs and improve reliability in the electric distribution system.

The HBPW evaluated and compared the cameras from the two major ultraviolet camera manufacturers, Ofil and CSIR. The cameras were evaluated on the following criteria: ergonomics, ease of use, sensitivity, cost, and the ability to be used in both substations and the 138kV transmission system. The only camera that met all criteria and required specifications was the DayCor Superb by Ofil.

As part of the Consent Agenda, the Board of Directors approved the budget transfer of \$70,700 from contingency to purchase the DayCor Superb Ultraviolet Camera and forwarded the recommendation to City Council for approval.

09.078 Contract for Water Replacement and Sewer Construction

Holland Board of Public Works (HBPW) staff identified a need to replace the water main on 40th Street between Washington and Lincoln Aves due to advanced corrosion caused by localized clay soils. In the summer of 2008, staff designed the project in-house and bid it as a "pipe bursting" project with conventional "open cut" as an alternative. Construction bids received on August 4, 2008 indicated that the "open cut" method was considerably less expensive. The City's 5-year plan included the replacement of the 40th St roadway. Accordingly, the City preferred that the HBPW not "open cut" the water main replacement as all roadway work would be removed and replaced in the near term.

The City decided to advance their 40th St reconstruction plans to 2009 and incorporate it with the water main replacement. The classification of 40th St made it eligible for available American Recovery & Reinvestment Act (ARRA) funding. Also, the project was expanded to include Central

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Ave from 32nd to 40th and Colonial Ct from 40th St to its terminus to address sanitary and storm sewer concerns that came to light during the June 2008 rain event.

Partnering with City Transportation Services, the HBPW entered into an Engineering & Construction Contract Administration (CCA) Services Contract with OMM Engineering of Grand Rapids, MI. During an open-house style meeting held as part of the design process and the following City Council meeting, it became obvious that the proposed 40th St roadway improvements were unacceptable to impacted residents. Accordingly, the 40th St portion of the project was delayed until 2010. However, HBPW and City staff agreed to proceed with the proposed improvements to Central Ave and Colonial Ct. Therefore, the water main on Colonial Ct and portions of Central Ave will be replaced and all of the sanitary sewer on Central Ave will be replaced. Sanitary sewer work on Colonial Ct will be limited to manhole casting replacement. Construction is planned to begin on June 15, 2009 and be complete on October 4, 2009.

As part of the Consent Agenda, the Board of Directors approved a contract with My-Con, Inc, for the reconstruction of Colonial Ct from 40th St to its terminus and Central Ave from 32nd to 40th in the amount of \$1,175,622 with a 10% (\$117,562) contingency for a total of \$1,293,184. The Holland BPW portion of the contract includes the replacement of approximately 2,700 FT of water main and 2,500 FT of wastewater main in the amount of \$552,542 with a 10% (\$55,254) contingency for a total of \$607,796.

09.079 Construction Services Contract Extension

The Utility Services Department maintains a construction services contract that covers the installation of underground electric lines, surface mounted electric equipment and both underground and aerial fiber optic cabling. The current contract with Johnson Electric expires on June 30, 2009 unless extended. Johnson Electric has agreed to keep the prices the same as last year. They have the equipment and expertise to perform the underground work and have been responsive to the needs of the Holland Board of Public Works.

As part of the Consent Agenda, the Board of Directors approved the second one year extension of the Construction Services Contract dated May 30, 2007 with Johnson Electric with no price change. Based on estimated quantities, the estimated contract value for FY 2010 is \$628,223.

09.080 Unit 5 Boiler Feed water Regulating Valve Replacement & Budget Transfer

The main boiler feed water control valve on Unit 5 at the James De Young (JDY) generating station is almost 20 years old and has experienced wear of the valve seat to the point where the valve cannot control flow at the low end of the generation range. This has forced the JDY control room operators to use the auxiliary (backup) control valve. Two bids were received for this feedwater control valve replacement

As part of the Consent Agenda, the Board of Directors approved the purchase and installation of a new control valve, and authorized the transfer of funds from contingency in the amount of \$19,480. The total project cost comprises the low bid supply from Cornerstone Controls Incorporated in the amount of \$16,080.20 for the replacement valve and actuator assembly and an additional \$3,400 to install and re-insulate the valve.

09.081 Amendment to Surplus Equipment and Materials

The Holland Board of Public Works (HBPW) has identified materials and equipment, which are no longer pertinent for our use. The items on the list have been determined excess, obsolete, or uneconomical to repair.

First, we determine if the items are usable within the HBPW and other City departments. Secondly, in an attempt to recover as much as we can, we will try to sell items to companies that specialize in inventory disposal. Our third course of action is to auction items that are remaining. The HBPW has

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the authority to conduct its own limited auction, open to the public. Items not sold or donated are recycled to the maximum extent.

As part of the Consent Agenda, the Board of Directors approved the list of obsolete items ready to be declared surplus, and forwarded the recommendation to the Holland City Council for their approval.

09.082 Communications from the Audience

There were no communications from the audience.

09.083 Financial Statement – April 2009

Accepted as information only.

09.084 Public Hearing for Smart Grid Information and Consideration of Smart Grid Investments

Non-regulated utilities of a certain size, such as the Holland Board of Public Works (HBPW), are required to consider each of the Public Utility Regulatory Policy Act's (PURPA) four new standards, but are not required to adopt them. As part of the consideration, PURPA requires that each qualified utility provide a public hearing, then make a determination in writing based upon findings and evidence presented in the hearing, and make that information available to the public.

One such standard is the *Smart Grid Information*. This standard states that all electricity purchasers (i.e. customers) shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider (HBPW). There are a number of suggested options as to the information that is to be available.

No oral comments regarding the Smart Grid information standard or Consideration of Smart Grid Investments standards were presented to the Board of Directors.

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| Motion to close hearing | <i>Hemingway</i> |
| Second | <i>Elzinga</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

09.085 Contract with Consert , Incorporated for Pilot Program

Smart Grid Technology will enable many applications to operate over a common network, somewhat similar to the way the Internet operates today. The smart grid will allow real-time monitoring of the customer's energy usage, and eventual deployment of real-time pricing. Real-time pricing occurs when energy is priced at different rates depending on the time of day and how much demand there is for electricity. It is assumed that this type of pricing may result in decreased electric usage as customers are able to see how much energy they are consuming and the hourly price they are paying. The smart grid will also be able to utilize energy from distributed clean power projects, such as solar panels and small wind turbines, and feed it back to the distribution grid while compensating the utilities accordingly. Smart grid technology also allows the utility to exercise more efficient distribution of electricity by allowing better management of load on the grid, such as reducing the amount of spinning reserves as the load curve levels itself through free-market capitalism.

Consert, Inc. has recently approached the HBPW with a request to form a partnership for a pilot program utilizing hardware and software for managing a "smart grid." The pilot project is proposed to occur in the Cobblestone subdivision, where HBPW fiber optic technology is already installed to each home. The HBPW staff recommended moving forward with this program, pending city attorney approval of the contract.

The Board of Directors approved the Pilot Program Agreement with Consert, Inc., pending city

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attorney approval

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| Motion to approve the agreement | <i>Elzinga</i> |
| Second | <i>Hemingway</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

09.086 Electric Service Ordinance

The proposed “Electric Service” ordinance addresses the following: Establishes that all contracts for electric service with the HBPW are subject to the rules and regulations of the HBPW and ordinances adopted by the respective governmental unit; Gives the HBPW access to customer premises to service electrical and metering equipment; Establishes customer responsibility for providing and upgrading metering sockets to be compatible with HBPW metering equipment; Sets forth the ability for the HBPW to offer installment payments and financial assistance when it becomes necessary for customers to upgrade or change out meter sockets; Gives the HBPW the right to upgrade the metering or equipment and lien the property if the customer refuses to upgrade when requested by the HBPW; Allows the HBPW to terminate service when a customer tampers with metering equipment or fails to comply with the HBPW rules and regulations; Establishes that the HBPW does not guarantee continuous electric service, and that customer acknowledges that HBPW may interrupt service and has no obligation for damages or loss of the customer due to such interruption or suspension of service; Grants the HBPW the right to trim trees and remove obstructions which may endanger the electrical system; and, Establishes general penalties, both civil and criminal, as remedies when customers fail to comply with rules and regulations of this ordinance or are found guilty of theft of electrical service.

The Board of Directors approved the “Electric Service” ordinance and recommended that the City of Holland and Laketown, Park, Holland and Fillmore Township governments within the Holland Board of Public Works (HBPW) service area adopt the ordinance.

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| Motion to approve ordinance | <i>Elzinga</i> |
| Second | <i>Cook</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

09.087 Light-Emitting Diode (LED) Traffic Lighting Project

The City of Holland owns the traffic lights within the City limits of Holland. The Holland BPW maintains them. Most of the city’s traffic lights use incandescent bulbs. The wattage of the bulbs ranges from 69 watts to 157 watts each. The Holland BPW staff evaluated the life cycle costs (energy and maintenance) of the LED bulbs as compared with incandescent bulbs. The evaluation predicts a saving of approximately 90% in energy consumption and approximately 50% in maintenance costs. In addition, LED traffic lights will improve safety and increase reliability.

The Board of Directors approved a contract with Strain Electric in an amount of \$197,250 to replace the traffic lights inside the City of Holland with LED bulbs, and, approved a budget transfer from contingency in the amount of \$216,975 which includes the contract amount plus a 10% contingency.

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| Motion to approve the contract | <i>Cook</i> |
| Second | <i>Hemingway</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

09.088 Wholesale Power Purchase

In December 2008, staff recommended a purchase of wholesale power over the next two years due to the presence of very low market prices. Natural gas prices have continued to soften with current

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prompt prices hovering around \$4.30 per MBTU. Longer range pricing suggests that gas may be stable around \$6 to \$7 per MBTU over the next few years. Some estimates received by staff indicate that the prices for a three-year purchase starting in calendar year 2011 are close to \$60 per megawatt-hour. This is approximately \$5 per megawatt-hour less than the average price that was seen in the Day-Ahead market during fiscal year 2008. Due to the delays in the permitting process for a new base load unit and since recent developments suggest new demand coming to the Holland Board of Public Works (HBPW) service territory, staff believes this is an opportunity to purchase wholesale electricity while the market is relatively soft.

According to the risk policy approved a few years ago, staff is empowered to execute transactions up to a year in length. Beyond that, transactions must come to the Board for approval. However, the difficulty with doing that, is that the price constantly changes and the suppliers that have positions to support the transaction vary by the day. By the time we would bring the transaction to the Board for approval, it would no longer be valid. This recommendation gives staff the ability to act within defined parameters.

The Board of Directors approved the schedule of wholesale power purchases in three three-year agreements in varying amounts up to twenty megawatts of power during the on peak hours of calendar years 2011 through 2015 at prices up to \$63 per megawatt-hour for the 2011 – 2013 transaction, \$67 per megawatt-hour for the 2012 – 2014 transaction and \$70 per megawatt-hour for the 2013 – 2015 transaction. Additionally, delegate authority to the Operations Director to execute the necessary transaction confirmation sheets associated with the purchase.

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| Motion to approve purchase schedule | Cook |
| Second | Hemingway |
| Favor | 4 |
| Oppose | 0 |

09.089 Dredge Materials Removal Funding

The City of Holland / Holland Board of Public Works (HBPW) owns a parcel of land bordered by Lakewood Boulevard and the Black River just east of 120th Avenue in Holland Township. At this location, the United States Army Corps of Engineers (USACE) operates and maintains a dredge placement facility. Every four to five years, the USACE provides dredging of the inner harbor to maintain adequate depth for cargo vessels. Since this parcel is one of the last viable pieces of land for such an activity, the intent has been to keep this site available by recycling dry dredge solids back into the Macatawa Watershed.

There are four main harbor users including the HBPW power plant. The other users and the HBPW have agreed to pool funds and services together to accomplish the hauling of material. The group has identified three sites within the watershed that could use large amounts of material totaling 101,000 cubic yards. At an estimated \$4.50 per cubic yard, the hauling effort is approximately \$455,000. The HBPW's contribution would be capped at \$300,000. The remainder would come from the other harbor users and from material recipients. Maintaining an open shipping channel is vitally important to the power plant operations. Alternative methods of receiving coal, such as trucking, would likely add over \$2 million annually.

The Board of Directors approved the funding of the trucking and placement of dredge materials from the Holland Harbor Dredge Containment Facility in the amount of \$300,000; Approved the carryover of \$100,000 from the FY 2009 budget; and, a \$100,000 transfer from contingency to supplement the \$100,000 currently budgeted in FY 2010.

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| Motion to approve the funding | Cook |
| Second | Hemingway |
| Favor | 4 |
| Oppose | 0 |

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09.090 **Tolling Agreement with Alternative Service Concepts, LLC**

Litigation between former employee Dave Durham and the Holland Board of Public Works (HBPW) is still in arbitration. The insurance coverage of the Holland BPW is important to maintain. The insurance claims servicing company may have liability in this matter and the Tolling Agreement with Alternative Service Concepts, LLC preserves the right to maintain Alternative Service Concepts, LLC liability.

The Board of Directors approved the Tolling Agreement with Alternative Service Concepts, LLC.

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| Motion to approve agreement | <i>Hemingway</i> |
| Second | <i>Cook</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

09.091 **Contract Extension with Tim Morawski**

On December 13, 2006, the City of Holland, acting through the Holland Board of Public Works (HBPW), entered into a Consulting Agreement with former General Manager Tim Morawski, to provide consulting services relating to the management and administration of the HBPW during his tenure; reviewing documents and material regarding the administration of policies of the HBPW; and appearing at meetings, conferences, and other scheduled events for purposes of performing such services as necessary. The Consulting Agreement also provided payment and reimbursement relating to any deposition, arbitration proceeding, or other judicial proceeding.

The Consulting Agreement had an original term of two (2) years, but permitted an extension for an additional one (1) year term through December 31, 2009. It is staff's recommendation that the Consulting Agreement be extended through December 31, 2009 in accordance with the same terms and conditions.

The Board of Directors approved the extension of the Consulting Agreement dated December 13, 2006 with Tim Morawski until December 31, 2009.

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| Motion to approve agreement | <i>Elzinga</i> |
| Second | <i>Hemingway</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

09.092 **CLOSED SESSION: Legal Opinion on Intergovernmental Contracts and Update on Labor Negotiations**

ROLL CALL: Cook, Elzinga, Gras, Hemingway, and Storey

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| Motion to enter Closed Session made at 5:02 p.m. | <i>Elzinga</i> |
| Second | <i>Hemingway</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

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| Motion to enter Open Session at 5:38 p.m. | <i>Elzinga</i> |
| Second | <i>Cook</i> |
| Favor | <i>4</i> |
| Oppose | <i>0</i> |

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The Board of Directors returned to Open Session at 5:38 p.m.

ANNOUNCEMENTS

None

ADJOURNMENT

A motion to adjourn the meeting of June 8, 2009 was made by *Richard Cook* supported by *Tim Hemingway* and agreed upon by the Board of Directors present.

The Board Meeting of June 8, 2009 adjourned at 5:38 p.m.

Minutes respectfully submitted by,

Loralyn A Bunce
Secretary to the Board