

The HBPW Board of Directors met **Monday, December 7, 2009** at 4:00 p.m.  
 in the Service Center Board Room  
 625 Hastings Ave  
 Holland, Michigan

**Chair Jim Storey called the meeting to order at 4:02 p.m. A quorum was present.**

**Members Present:** Rich Cook, Paul Elzinga, Diane Haworth, Tim Hemingway, and Jim Storey

**Members Absent:** Soren Wolff

**Staff Present:** Loren Howard, Dave Koster, John Van Uffelen, and Freda Velzen; Joel Davenport, Bob Mihos, Dan Sorek, and Loralyn Bunce

**Others Present:** City Council Liaison: *None*

09. 163 **Open Minutes – March and November 2009**

*As part of the Consent Agenda, the Board of Directors approved the minutes of March 9, 2009, and November 9, 2009 as presented.*

Motion to approve Consent Agenda	Elzinga
Second	Haworth
Favor	5
Oppose	0

09. 164 **Lease of Greenly Street Site**

The future Greenly Street Substation site has been leased on an annual basis by Ronald Nienhuis for several years. Nienhuis pays \$500 annually to farm the twenty-acre site as well as an additional \$250 for legal fees. The leasing arrangement benefits the Holland Board of Public Works (HBPW) because there is no need to provide our own vegetation control on this parcel of land. The lease would be effective through December 31, 2010.

*As part of the Consent Agenda, the Board of Directors approved the lease agreement with Ronald Nienhuis and forwarded to City Council for action.*

09. 165 **Communications from Audience**

Carol McGeehan of 568 W 31<sup>st</sup> St Holland, MI asked the Board to consider greater reliance on wind and do everything possible to reduce dependence on base load coal.

Ken Freestone of 845 E 8<sup>th</sup> St Holland, MI expressed appreciation for the Board's decision to film and record meetings. Freestone asked that several of his following comments and ideas be forwarded to the Sustainability Committee, these included: explore more about water conservation; check out the Michigan State University mapping and measure research results; introduce easier ways to distribute the CFL bulbs to the general public and helping agencies; share a full plan of the James DeYoung Power plant expansion & carbon capture costs including the potential dollars needed; recognize and embrace conservation as a faster and greater means of reducing costs.

09.166 **Financial Statement – October 2009**

Presented as part of the meeting packet for information only.

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

09.167 **Water and Wastewater Rate Increase**

The water utility needs to maintain a solid cash balance to pay the principal payments that were back loaded when bonds were issued in 2005. There have been no rate increases from 2005 to 2008. The proposed increases will allow the water utility to maintain its favorable bond rating and slow the depletion of its current cash balance, which would otherwise be exhausted by FY2011.

For the past 10 years, the wastewater utility has relied on its investment income to cover operating expenses. Due to the volatile financial market, the investment income level has been drastically reduced, causing a decline in the utility’s cash balance.

Rate structure changes for both utilities will minimize cross class subsidization, aligning rates appropriately with the costs incurred, as well as provide the cash necessary to ensure reliability of the system infrastructure. Implementing a readiness to serve charge based on meter size and increasing the commodity charge will lead to a healthy financial position for both utilities. When considering a comparison to the surrounding cities and townships, this proposed rate structure remains competitive

*The Board of Directors approved and forwarded to City Council for approval, the Water and Wastewater tariffs per the rate sheets presented, including an increase in the commodity charge and the implementation of a readiness to serve charge to become effective January 1, 2010.*

Motion to approve rate adjustments	<i>Haworth</i>
Second	<i>Hemingway</i>
Favor	<i>5</i>
Oppose	<i>0</i>

***\*\*Order of Agenda Items 5 & 6 switched to respect schedule of guest\*\****

09.168 **Sustainability Committee Facilitator Proposal Funding Request**

The Holland Community Sustainability Committee has been working to develop recommendations on specific sustainability topics within our community. Having a professional facilitator to obtain various community stakeholder and community input on the topics of Energy Management and Water Management will assist the Committee in determining what areas of interest are most important to the community.

The Committee solicited a proposal from Keystone Coaching & Consulting, LLC. (See attached Proposal.) Keystone has successfully worked with the City of Holland on other similar projects. Sharing the cost of these services 50/50 between the City of Holland and the Holland Board of Public Works is a fair allocation, given that both organizations have been involved with the formation of the committee. The total cost of these services is \$7,320.00. The HBPW 50/50 share would be \$3,660.00. The City of Holland will be considering this proposal at their December 2, 2009 meeting.

*The Board of Directors approved \$3,660.00 (one-half of the total cost) for professional Facilitator Services by Keystone Coaching & Consulting to assist the Holland Community Sustainability Committee in obtaining various community stakeholder and community input on Energy Management & Water Management focus topics.*

*The Board of Directors approved a corresponding budget transfer from contingency for this expense, and forward to City Council for action.*

Motion to approve rate adjustments	<i>Haworth</i>
Second	<i>Hemingway</i>
Favor	<i>5</i>
Oppose	<i>0</i>

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**09.169 Budget Transfer Energy Smart Program**

The 2009 calendar year (CY) Energy Smart program budget of \$481,021 was incorporated into the fiscal year (FY) 2010 budget. The CY2010 Energy Smart program budget of \$758,511 was not included in the FY 2010 budget. The 2009 through 2012 HBPW Energy Optimization Program spreadsheet does show the 2010 calendar year total budget of \$758,511. Therefore, a budget transfer of \$758,511 is requested to fully fund the 2010 Energy Smart program beginning January 1, 2010 through December 31, 2010.

*The Board of Directors approved the budget transfer in the amount of \$758,511 to fund the 2010 calendar year Energy Smart program and forwarded to City Council for approval.*

**09.170 Legislation Protecting Customers from Shutoff of Municipal Electric and Natural Gas Utility Services**

House Bill No. 4386 requires a provider to postpone a shutoff of service for not more than 21 days if the customer or a member of the customer's household is a critical care customer or has a certified medical emergency. The postponement can be extended for periods of not more than 21 days, not to exceed a total restoration of service of 63 days in any 12-month period per household member. The HBPW currently restores or postpones the disconnection of electric service in 21 day increments for critical care and medical emergency customers.

House Bill No. 4650 would go into effect no later than April 1, 2010 and would require certain state agencies to operate an electronic payment process with participating energy providers to provide for the payment of low income customer energy bills that are subject to shutoff.

House Bill No. 4655 requires a provider to notify the commission of any shutoff of service that results in death or serious injury.

Currently, the HBPW will only disconnect past due electric utility services if the temperature is predicted to stay above freezing for an extended period of time. For the periods of December 1, 2007 through March 31, 2008 and December 1, 2008 through March 31, 2009, this procedure resulted in zero residential electric service disconnections. Past due water accounts are disconnected year round.

*The Board of Directors accepted as information only.*

**09.171 Wastewater Treatment Plant Headworks Improvements – Engineering Services**

At the September 14, 2009 meeting, the Holland Board of Public Works approved a contract for engineering services with Fishbeck, Thompson, Carr & Huber (FTC&H) for the Headworks Improvement project at the Wastewater Treatment Plant (WWTP). The contract with FTC&H was structured in four phases: 1) Conceptual Design; 2) Final Design; 3) Bid; and 4) Construction.

FTC&H has completed the Conceptual Design phase and is prepared to proceed with the phase 2, final design. A copy of the technical memorandum generated during the conceptual design is available for reference. The document outlines the recommended sizing, location, configuration and updated estimate of probable cost for the proposed headworks facility. In addition, the Conceptual Design addresses several other issues needing attention at the Holland Area Wastewater Treatment Plant.

*The Board of Directors informally approved proceeding with the final design phase, permitting, and construction bidding efforts for the headworks improvements project as originally authorized.*

09.172 **Purchased Power Agreement from Renewable Landfill Gas Generation**

Public Act 295 of 2008 requires each load-serving utility in Michigan to supply at least 10% of its retail sales from renewable resources by 2015. The Holland Board of Public Works has been developing several options to be included in a portfolio of renewable resources to meet this requirement. To date, Holland has contracted for power supply from biomass and biogas (landfill gas) sources in addition to development efforts on a number of wind generation options. This recommendation would add another landfill gas based renewable generation source to that portfolio.

Staff has been working with North American Natural Resources (NANR) for the past several months on a power purchase agreement from a generation source at a landfill site near Niles, Michigan in Berrien County. This generation source is located at the county owned landfill and currently has three 1.6 MW generators in service. It is anticipated that the landfill will yield more gas supply over the next few years, which would allow for an additional 1.6 MW of generation to be sited at that location. These generation sources qualify as eligible renewable resources under PA 295.

The contract is structured as a sale of electrical energy, capacity and renewable energy credits. The price is based on each megawatt-hour (MWh) of energy produced and delivered to the Mayflower Substation, the interconnection with American Electric Power's 69 kilovolt (kV) system. Through this contractual arrangement, Holland will take ownership of the power at that point. The pricing includes a base price for calendar year 2010 of \$82 per MWh with an escalator that is 2.5% for the first five years and then smoothed toward a rate that is 47.5% of the ten-year Treasury note rate. This rate is very competitive with Holland's other landfill gas contract and much less expensive than any pricing from wind developments that it has pursued to date.

*The Board of Directors approved the 20-year agreement, pending City Attorney approval as to form, with North American Natural Resources (NANR) for the Holland BPW to receive up to 6.4 megawatts (MW) of power supply from a landfill gas generator in Berrien County, Michigan.*

Motion to approve agreement	Cook
Second	Elzinga
Favor	5
Oppose	0

09.173 **Partial Coal Supply for 2010 – 2011**

In 2010, the Holland Board of Public Works (HBPW) will be in its last year of a three year contract for coal supply to the James De Young (JDY) generation facility. It is estimated that an additional 60,000 tons of coal would be needed to satisfy the annual operation of the JDY plant. The HBPW staff solicited proposals from several suppliers for this additional coal supply required in 2010, along with requested supplies for 2011 and 2012. Four suppliers submitted an extensive variety of blended coal offerings to meet HBPW's requirements. The coal recommended is stockpiled at the Sappi facility, which recently discontinued operations. The coal was originally sourced from the Oxbow Minerals mine in Colorado. The economics of this offer are very favorable to the other options. However, the delivery of this coal will involve trucking from Muskegon to Holland and must take place by the end of calendar year 2010.

Staff has been evaluating potential modifications to burn higher blends of sub-bituminous coals along with bituminous sources to reduce generation costs. In 2009, an extensive coal handling and combustion evaluation was conducted by BeneTech Company. HBPW Staff is meeting with BeneTech in December to review their recommendations and plans to begin implementing changes needed to accommodate handling the increased quantities of sub-bituminous coals. Staff anticipates it will bring additional supply options for Board consideration in the next couple months, which may involve on-site blending of this Sappi coal with a proposed supply of pure sub-bituminous coal. Modifications to blend the Sappi coal with a direct blend of sub-bituminous coal would result in savings of over \$400,000 per year. However, it is imperative to have the proper modifications in place to safely and efficiently handle the sub-bituminous coal.

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*The Board of Directors approved a contract, pending City Attorney approval, with the C. Reiss Coal Company for the supply of approximately 85,000 tons of bituminous coal from the Sappi Paper facility in Muskegon Michigan, for a price of \$66.20/ Net ton, delivered or \$2.805/MMBTU.*

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

09.174 **Rate Design Modifications to Promote Energy Efficiency Investments**

Revised

Non-regulated utilities of a certain size, such as the Holland Board of Public Works (HBPW), are required to consider each of the 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 *Rate Design Modifications to Promote Energy Efficiency Investments*. This standard states that rates allowed by the utility shall align utility incentives with the delivery of cost-effective energy efficiency and promote energy efficient investments. Six specific policy options are suggested for consideration and are listed on the attachment.

The current Energy Optimization program does not require that home energy audits be offered, and as such the program is not funded to provide these. Although home energy audits may be offered at some point in the future, the HBPW does not want to commit to offering them.

The public hearing comment period commenced on April 29, 2009 and included the options of email, paper, or oral comments. The comment period concluded on May 11, 2009, with no comments being received.

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

*The Board of Directors returned to open Session at 6:06 p.m.*

09.175 **Board Meeting Schedule for 2010**

The Board of Directors of the Holland Board of Public Works (HBPW) is required by the City Charter to meet at least once a month. For the expedient processing of items needing the approval of both governing bodies, it is wise to schedule the Board of Directors meeting at a time that allows for a smooth transition of items to the City Clerk and the Holland City Council. Based on the need for additional Study Sessions, meeting twice a month is recommended.

*The Board of Directors accepted the "Proposed Board Schedule 2010B" for the 2010 calendar year.*

09.176 **Annual Adjustments to Water and Sanitary Sewer Charges and Assessments**

The "Water and Sanitary Sewer Charges and Assessment Policy" establishes charges for frontage assessments, trunkages, lateral and service stub fees. These charges are applied to new users who wish to connect to the Holland BPW water and/or wastewater system and existing users increasing their meter sizes. The policy calls for the charges to be adjusted annually based on the Construction Cost Index as published by the Engineering News Record (ENR). Every third year, actual experienced costs are reviewed and adjusted to reflect the criteria upon which the charges are based. The ENR Construction Cost Index rose 1.05% for the period from December 2008 to

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December 2009.

*The Board of Directors approved the Schedule of Water and Sewer Charges and Assessments consisting of a 1.05% increase with a rounding to the nearest fifty-cent increment for frontage assessment charges and to the nearest five dollar increment for trunkage and lateral fees to be effective in calendar year 2010, and forwarded to City Council for approval.*

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

09.177 **Amendment to Restated Laketown Water Agreement**

Laketown Township’s previous water agreement was for a peak demand of 1.2 MGD. Laketown Township exceeded that demand a few years ago and created a need for a renegotiated agreement. The new agreement allows a peak demand of 1.8 MGD. One of the largest contributing factors to peak demand is irrigation; therefore the Holland BPW required the Township to retain their water conservation ordinance as part of the contract.

The language in the Restated Water Agreement requires Laketown Township to enforce their ordinance. Under the ordinance, Laketown Township feels they cannot allow a customer to water a tennis court on a daily basis. Staff believes an amendment can be negotiated to allow this use and is willing to work with Laketown Township to draft an amendment to the contract. Approval by the HBPW Board of Directors of this concept will allow Laketown Township and their customer to move forward with their project. It is anticipated that HBPW staff will bring a proposed amendment for the Board’s consideration at the January meeting.

*The Board of Directors informally approved the concept of an amendment to the Restated Water Agreement with Laketown Township that will grant relief to Laketown Township in the application of its conservation ordinance.*

09.178 **Base Salary Adjustment of General Manager**

Added after final posting  
Presented by Board Member Richard E Cook

*The Board of Directors approved the base salary compensation for the Holland Board of Public Works’ General Manager to be increased by 3.8% per year, resulting in an increase from \$152,000 to \$157,776 per year.*

*Further, it is recommended that this increase in base salary be made retroactive to July 1, 2009.*

*The Board of Directors also approved that a study of base salary, performance level in terms of percentile ranks and appropriate adjustment be done during the 2011 review, anticipating and adjusting for a higher median salary when the HBPW exceeds revenue of \$100 million.*

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

*General Manager Howard thanked the Board for their vote of confidence in his operation of the utility. Howard then declined accepting the approved increase because of the economic situation for all employees and the community.*

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ANNOUNCEMENTS

*Monday, December 14, 2009 – Joint Study Session in Second Floor Training Room of City Hall regarding Financing Options for Capital Projects*

ADJOURNMENT

A motion to adjourn the meeting of December 7, 2009 was made by *Hemingway* supported by *Haworth* and agreed upon by the Board of Directors present.

The Board Meeting of December 7, 2009 adjourned at *6:42 p.m.*

Minutes respectfully submitted by,

Loralyn A Bunce  
Secretary to the Board