

The HBPW Board of Directors met **Monday, September 13, 2010** at 4:00 p.m.
 in the Service Center Board Room
 625 Hastings Ave
 Holland, Michigan

Chair Tim Hemingway called the meeting to order at 4:02 p.m.

Hemingway requested Agenda Item 10 regarding the contract of the General Manager be pulled and addressed at the October 2010 meeting. All members present approved.

Members Present: Paul Elzinga, Diane Haworth, Tim Hemingway, Phil Miller, Jim Storey, and City Council Liaison: Bob Vande Vusse and Ex Officio Member Soren Wolff

Members Absent: None

Staff Present: Loren Howard, Dave Koster Dan Nally, Ellen Taub and Freda Velzen; Angela Badran, Bill Bush, Becky Lehman, Mike Radakovitz, Abel Rodriguez, Chris Van Dokkumburg and Loralyn Bunce

11.027 **Board Minutes** – Not Yet Available

11.028 **Purchase SCADA Remote Transmission Unit**

This recommendation was for the purchase of Remote Terminal Unit (RTU) equipment for eight substations and three generating stations. This upgrade will replace the existing Remote Terminal Units, and upgrade them from serial communication to Ethernet. This will permit Holland Board of Public Works to acquire additional data from each substation which will reduce downtime and increase system control. Associated equipment is necessary to install at the Ottawa substation as part of the upgrade.

As part of the Consent Agenda, the Board of Directors approved the purchase of Remote Terminal Unit Equipment for eight substations and three generation stations from Schweitzer Engineering Laboratories, C/O A Star Electric, in the amount of \$92,543. Approve the purchase of six Recloser Controls for the Ottawa Substation from Cooper Power Systems in the amount of \$25,650.

11.029 **Accept Easement(s) from Lumir LLC**

Currently an overhead 2400 volt power line is located between 7th Street and 8th Street extending east from Columbia Ave. The line crosses over several properties Lumir has acquired and plans to develop as one continuous site. To accomplish the site developments, Lumir has requested that Holland Board of Public Works (HBPW) remove the overhead line. This is the last remaining 2400 volt line on the HBPW system. Installing new 7200 volt underground lines in the granted easements will serve existing customers, allow site development, and complete a HBPW electric system voltage upgrade that began in the 1980's.

As part of the Consent Agenda, the Board of Directors accepted the Grant of Easements for underground electric lines and forward to the City Council for approval.

Motion to approve Consent Agenda 11.028 – 11.029	<i>DH</i>
Second	<i>PE</i>
Favor	<i>5</i>
Oppose	<i>0</i>

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

11.030 Communications from the Audience

Jan O’Connell representing Sierra Club asked several questions about Agenda Item 9, Agreement with Sterling Planet: Is this designed to meet the RPS requirement? Is this beyond the requirements of PA295?; Why a one year commitment if this is voluntary?; What are the price ranges?; Where are the certificates renewable?; What kinds of power are eligible?

Marty Dugan of 17 W 10th Street Holland, MI informed the Board of Directors that he will be dedicating more time to the Boys & Girls Club, so will not be as involved with the utility issues and board meetings.

11.031 Financial Statement – Audit Report from Rehmann Robson

Stephan Blann and Will Love of Rehmann Robson were present for the final audit presentation. Blann briefly described the process of auditing the three enterprise fund of the Holland Board of Public Works and complimented the utility for a well balanced and well organized process.

Members Diane Haworth and Phil Miller served on the audit committee and complimented the staff on thorough and efficient internal accounting practices.

Board Chair Hemingway expressed thanks and congratulations to the entire team.

11.032 Agreement with Lakeshore Advantage for Economic Development

The Lakeshore Advantage item was removed from the tabled process executed July 12, 2010.

Lakeshore Advantage has asked for an increase in the annual contribution by the HBPW in support of the operations of Lakeshore Advantage and a onetime contribution to support current efforts to take advantage of the advanced energy storage industry interest in the Holland area.

The historical funding of \$25,000 by the HBPW is in the approved FY2011 budget. In order to identify the budget source of the additional \$75,000, staff has reviewed the budget and identified various line items within the existing budget that can be delayed or eliminated in order to have funds with the existing budget to meet the additional request.

Original Recommendation: Approve a contract with Lakeshore Advantage in the amount of \$50,000 as the annual contribution in support of economic development in the Holland community and a one time payment of \$50,000 in support of the efforts to attract new advanced energy storage companies and suppliers.

Amended Recommendation: Approve a contract with Lakeshore Advantage in the amount of \$50,000 as the annual contribution in support of economic development in the Holland community and a one time payment of \$50,000 subject to amended Lakeshore Advantage bylaws and a Holland Board of Public Works representative on the Lakeshore Advantage board with full rights and privileges.

Motion to approve amended recommendation	<i>JS</i>
Second	<i>DH</i>
Favor	<i>5</i>
Oppose	<i>0</i>

11.033 Results of Fiscal Year 2010 Performance Pay Program

The Holland Board of Public Works (HBPW) has a performance-based component to its compensation program for its management and professional employees. This performance pay program was instituted to provide an incentive for employees to set and work toward strategic goals that will improve the HBPW’s performance as a provider of essential utility services to the Holland community.

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

As part of its strategic effort, the HBPW undertook 21 specific tactical actions in Fiscal Year (FY) 2010 on which to measure performance pay. These tactical actions were developed to align with and support the HBPW's Key Result Areas and Strategic Objectives. A summary of these tactical actions and their status is attached.

For FY2010, the HBPW continued tracking the twelve corporate metrics that have been previously used with The Opportunity Program. These corporate metrics cover the areas of customer satisfaction, service reliability, environmental quality, cost control and safe work environment. Each of these corporate metrics is set to measure the overall performance of the organization:

- Customer Satisfaction: Customer survey response indicating a minimum rating of 80% better than neutral.
- Service Reliability: (1) Achieve a System Average Interruption Duration Index (SAIDI) of less than 80 minutes and a System Average Interruption Frequency Index (SAIFI) of less than 1.4.
(2) Reduce sewer back-ups to 8 or less per year.
- Environmental Quality: No more than one infraction per utility.
- Cost Control: Electric: \$69,727,040
Water: \$5,898,879
Wastewater: \$ 8,821,164
- Safe Work Environment: Achieve an injury rate below the appropriate Occupational Safety and Health Administration (OSHA) industry rate. The target is set at no more than 10 recordable injuries during the fiscal year, including no more than four lost work day cases.

The results of the FY2010 corporate goals are:

		<u>Goal</u>	<u>Result</u>	<u>Goal Met?</u>
Customer Satisfaction:	Overall	>=80%	92% & 91% ⁽¹⁾	Yes
Service Reliability:	SAIDI	<=80	52.3	Yes
	SAIFI	<=1.4	0.6	Yes
	Sewer Backup	<=8	8	Yes
Environmental Quality:	Electric infractions	<=1	0	Yes
	Water infractions	<=1	0	Yes
	Wastewater infractions	<=1	1	Yes
Cost Control:	Electric	<=\$69,727,040	\$68,524,199	Yes
	Water	<=\$5,898,879	\$5,278,092	Yes
	Wastewater	<=\$8,821,164	\$7,661,683	Yes
Safe Work Environment:	Recordable Injuries	<=6	8	No
	Lost Time Injuries	<=3	2	Yes

(1) Residential = 92%; Commercial and Industrial = 91%

The performance pay system used 6% of total pay as incentive to encourage completion of goals important to the success of the HBPW. With twelve metrics as noted above in the performance pay program, each corporate metric met is worth 0.5%. As a result, the recommended maximum payout for achieving 11 of the 12 corporate metrics for FY2010 would be the 5.5%. The actual payout is also modified by the company average percentage of tactical actions achieved. Of the 21 tactical actions used to measure performance for FY 2010, 20 of the actions were met or 95%. The actual performance pay achieved this year is 95% of 5.5% or 5.23%

The Board of Directors approved a 5.23% payment for the performance pay program for Fiscal Year

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

2010.

Motion to approve payout	PE
Second	JS
Favor	5
Oppose	0

11.034 **Water Main Replacement Project at Sunrise and Sunset Drives**

The water main in Sunrise and Sunset Drives is undersized and in need of replacement. It was installed in 1962 in predominantly corrosive clay soils. Several failures have occurred and continue to occur more frequently.

The Fiscal Year (FY) 2010 and FY2011 Capital Improvement Budgets dedicate \$300,000 for this project. With the exception of advertising and materials testing, all engineering and construction contract administration will be performed in-house. With the recommended bid, the project is expected to be under budget by \$63,815.41.

A request for bids was advertised and on September 3, 2010, six (6) proposals were received. Of the proposals received, Dan Hoe Excavating presents the best overall price, meets specifications and has performed successfully in the past.

The Board of Directors approved a construction services contract with Dan Hoe Excavating of Holland in the amount of \$213,410.50 with a 10% contingency of \$21,341.00 for a total of \$234,751.50, subject to City Attorney approval.

Motion to approve contract with Dan Hoe Excavating	DH
Second	PM
Favor	5
Oppose	0

11.035 **Purchase Contract with ABB, Inc.**

The Board approved a contract with Theka Engineering in February of this year, in part, to assist the Holland Board of Public Works (HBPW) in the preparatory work required to replace the 2400 volt switchgear for Units 4 and 5. This recommendation is a result of the work done to date by Theka and HBPW staff in support of that effort.

This new switchgear will replace the original equipment installed in 1962 and 1968, continuing the equipment reliability and more importantly improving the safety for the plant operators and maintenance technicians.

Along with the \$117,100 contract with Theka Engineering, this contract with ABB will be expended through the end of Calendar Year 2011. This corresponds to the planned delivery of the Unit 4 switchgear for a scheduled shutdown in March 2011 and the Unit 5 switchgear for a scheduled shutdown in September 2011. The expected cash outlay for fiscal year 2011 was planned to be \$1.6 Million for this project. Additional monies will be budgeted in fiscal year 2012, if needed, to complete the work for Unit 5. To date, it appears that the total project expenditure will come in under what was originally estimated. Staff will bring a recommendation to the Board in the near future for the electrical services needed for the physical removal of the old equipment and installation of the new equipment.

Theka Engineering has performed a technical analysis of the bids and recommended that ABB supply the new switchgear.

The Board of Directors approved a contract with ABB, Inc., pending city attorney approval, for the purchase of replacement switchgear for Units 4 and 5 for a total of \$610,659. Directors also approved a contract contingency in the amount of \$60,000.

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

Motion to approve contract with Dan Hoe Excavating	DH
Second	JS
Favor	5
Oppose	0

11.036 **Agreement with Sterling Planet**

The Holland Board of Public Works (HBPW) is finalizing a Renewable Energy Program whereby its customers will be allowed to purchase Renewable Energy Certificates (RECs) to support the production of renewable energy projects developed within the State of Michigan. Participation will be strictly voluntary, but will require a minimum one year commitment from each customer who chooses to participate.

The HBPW intends to offer a number of options for the green power purchase to appeal to every level of participation. Blocks of 100 kWh will be offered, allowing the customer to purchase a single block, or as many blocks as they desire. An additional feature will allow the customer to designate a percentage of their monthly consumption, offered in five percent (5%) increments. The percentage approach provides an additional twenty options to our customers.

This contract with Sterling Planet allows the HBPW to make monthly purchases of RECs to meet our customer needs.

The Board of directors approved a contract with Sterling Planet to provide Renewable Energy Certificates (RECs) to the Holland Board of Public Works for use in its Renewable Energy Program, pending city attorney approval as to form.

Motion to approve contract with Dan Hoe Excavating	PE
Second	PM
Favor	5
Oppose	0

11.037 **Agreement Amendments for Laketown Township Water Agreement**

The Restated and Retail Water Agreements were negotiated as companion agreements and signed in June 2008. The Restated Water Agreement stipulates that all water mains accepted by Laketown Township are in accordance with construction standards of the City of Holland. The Retail Water Agreement establishes the City of Holland as the system operator with authority to charge Township customers its retail rates. Per the Retail Water Agreement, the Township may add at its election an additional charge to the retail rate.

The amendments establish that Laketown and Holland agree that in the event a non standard water main is accepted, a 30% surcharge will be added to the water bills of the customers served by the nonstandard water system for a period of ten years from the date the water system is accepted by Laketown Township. The surcharge is paid to the Holland BPW to compensate for its additional costs and risks of maintaining the nonstandard elements of the water system.

The Castle Park community has requested Laketown Township to accept its existing water system. The system was constructed within the past ten years, but was constructed with high density polyethylene (HDPE) pipe and with water taps and service pipes that do not meet City of Holland specifications. In addition the water system drawings and records are not adequate to accurately locate the main. Castle Park has upgraded the system per HBPW requests and has placed the system under pressure tests which were observed by the HBPW. HBPW is satisfied that the system will perform satisfactorily, but is unsure of the future costs to maintain the nonstandard conditions.

The amendments establish the terms under which the Castle Park water system will be accepted and maintained. With the amendments in place, the Holland BPW will begin its maintenance of the

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

Castle Park water system when the Bill of Sale and the easements for the Castle Park water system are accepted and recorded.

The Board of Directors approved the Second Amendment to the Restated Water Agreement and the First Amendment to the Retail Water Agreement, which allow Laketown Township to accept nonstandard water mains and establishes the terms and compensation to the City of Holland for the additional costs and risks for operating and maintaining the nonstandard water main.

Motion to approve contract with Dan Hoe Excavating	<i>PM</i>
Second	<i>DH</i>
Favor	<i>4</i>
Oppose	<i>0</i>
Abstain	<i>PE</i>

ANNOUNCEMENTS

The National Award for our electronic annual report will be presented October 25, 2010 during the APPA conference. Congratulations to Chris Van Dokkumburg and team!

ADJOURNMENT

A motion to adjourn the meeting of September 13, 2010 was made by *Haworth* supported by *Elzinga* and agreed upon by the Board of Directors present.

The Board Meeting of September 13, 2010 adjourned at *5:33 p.m.*

Minutes respectfully submitted by,

Loralyn A Bunce
Secretary to the Board

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