

Regular Meeting  
Board of Public Works  
January 15, 2019

The regular meeting of the Board of Public Works Commission was held at the BPW Administrative Office, 350 E. Washington Avenue, on Tuesday, January 15, 2019. Chairperson Boerman called the meeting to order at 3:30 p.m.

PRESENT: Commissioners – Chairperson Boerman, Query, Dykstra, Cooney  
ABSENT: Commissioners – None

Staff present: General Manager Cook, Utilities Manager Boatright, Accountant Collins, Electric T&D Manager DeKraker, Electric Power Supply & Market Operations Manager Mulder, IT Manager Carlton, Manager of Water Operations Levandoski, City Finance Director/Asst. City Manager Plockmeyer and City Clerk Holmes

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to approve the minutes of the December 11, 2018 regular meeting. Motion carried.

***FY2018 BPW External Independent Audit***

Joe Kuiper from Kiekover, Scholma and Schumaker PC was present to discuss the Independent Auditors Report for FY2018 and respond to any related questions. He stated the BPW was in excellent financial shape and was to be commended for the financial records.

The Board reviewed the financial statements and the cash disbursements for the month of December 2018.

**19.001 Approve Cash Disbursements and Regular Monthly Transfers**

Motion was made by Commissioner Query and seconded by Commissioner Cooney to approve the December cash disbursements and the regular monthly transfers for the month of January, 2019 as follows:

	<u>Electric</u>	<u>Water</u>
Receiving	(108,101)	(25,040)
Accumulated Debt Service	-	25,040
Plant Improvements and Contingency-	67,700	-
General Fund (per charter provision)	40,401	-

Motion carried.

Electric T&D Manager DeKraker reviewed the Electric Department report and updated the Board on the Electric projects.

DeKraker explained to the Board that there are 15 three phase transformers that are for street projects and for inventory replacement. There are also sixteen single phase transformers for street projects and inventory replacement. These are included in the FY2019 Capital Improvement Plan and approval is based on both base bid and loss evaluated dollars.

**19.002 Award Purchase of Fifteen Three Phase Transformers**

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to award the purchase of Fifteen three phase transformers to Power Line Supply (WEG) for a total price of \$120,099.93. Motion carried.

19.003      Award Purchase of Sixteen Single Phase Transformers

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to award the purchase of sixteen single phase transformers to RESCO for a total price of \$31,893.00. Motion carried.

DeKraker explained further the need for a switch cabinet for inventory replacement along with a metering cabinet. It is recommended the metering cabinet comes with the factory mounted meter socket.

19.004      Award Purchase of PMH Switch Cabinet

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to award the purchase of one PMH switch cabinet to IRBY Co. for a total price of \$9,741.00. Motion carried.

19.005      Award Purchase of Durham Metering Cabinet Socket

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to award the purchase of one Durham Metering cabinet with meter socket to Power Line Supply for a total price of \$9,820.00. Motion carried.

DeKraker reported they are in need of 500 MCM copper cable. This cable is for the undergrounding of distribution circuits related to the Washington Avenue Roundabout Street Project.

19.006      Award Purchase of 500 MCM Copper Cable

Motion was made by Commissioner Query and seconded by Commissioner Cooney to award the purchase of 2250 feet of Okonite 500 MCM Copper Cable to Power Line Supply for a price of \$26,792.55. Motion carried.

***SSRS Bill Presentment***

DeKraker reported that during the implementation of Invoice Cloud, it was determined that the CIS/billing system does not have the appropriate format for bill presentment. The current 4GL bill print process needs to be upgraded to include SQL Server Reporting Service (SSRS) in order to create and store PDF files of customer invoices. SSRS is used to render a PDF of a bill. PDF's are stored within BPW servers and made available to Invoice Cloud. Invoice Cloud will retrieve those files from BPW servers and present the bill that is applicable to each individual customer. Because the BPW already has SQL licensing, there are no additional costs other than the fees for NorthStar's professional services incurred during the implementation. Looking ahead at future improvements with NorthStar Customer Information System, SSRS will be a prerequisite for many of the additional add-on solutions.

19.007      Addition of SQL Server Reporting Service

Motion was made by Commissioner Query and seconded by Commissioner Cooney to approve the addition of SQL Server Reporting Service at a cost of \$10,584.0. Motion carried.

Electric Power Supply & Market Ops Manager Mulder updated the Board on current operations status.

Mulder reported within the past year, BPW Power Production maintenance and operations staff observed what appeared to be a relatively minor jacket cooling water leak on Unit #8, which was investigated, monitored and brought to the attention of a consultant who has been servicing our units for over a decade. During the annual 2018 inspections, the probable cause of the leak was identified and steps were taken to address it. At that time, BPW staff were advised that it was not detrimental to the equipment or safety to operate the unit in this condition for a reasonable amount of time, but that the issue should be closely monitored and repairs made in the future if the unit is to remain in service. While preparing the FY2020

department budget, the need and timeline to address this issue was discussed further with our consultant, along with requesting a quote for the necessary repairs. An additional review of the unit was performed while the consultant was on-site in December 2018 to address an unrelated issue with a different unit. Following that review, our consultant advised BPW staff that the issue with Unit #8 should be addressed before the next capacity test or sustained operation at maximum load to reduce the potential of damaging the unit. This repair should be done in the first or early second quarters of 2019 to ensure the unit is available for service during the period of peak demand. Unit #8 is one of the oldest generating units and sees limited operation due to the economics associated with its dispatch. However, it provides the BPW with 1.6MW of MISO zonal resource credit (ZRC) for capacity. Based on current historically low capacity market valuations of between \$2.00 and \$4.00 per kW-month, the annual capacity value of this unit is between \$38,400 and \$76,800.

Based on the unit's annual capacity value presented above, the estimated return on this investment is projected at 4.4 – 8.8 months. Due to the fact that no other significant problems or concerns are known to exist with the unit and the last significant maintenance costs occurred over 15 years ago, BPW staff believe that repair of the unit at the total budgeted cost is justified.

19.008      Unit #8 Cylinder Liner and Head Leak Repair

Motion was made by Commissioner Dykstra and seconded by Commissioner Cooney to award the repair of Unit #8 cylinder liner and cylinder head to Wheeler World of Gambier Ohio for the estimated amount of \$25,520.00. Staff requests that the FY2019 Capital Budget item for “Generation Equipment Improvements – General” be amended by \$7,000.00 to perform the requested work as the \$21,454 balance is insufficient to complete these repairs. Motion carried

Mulder also informed the Board the Zeeland BPW’s depreciation and replacement schedule for light fleet vehicles is a 5-year capital depreciation and 7-year replacement. A request for bid was prepared and submitted to four local dealerships for a ½ ton regular cab 4-wheel drive pickup truck with an 8-foot box and gasoline engine. This would replace a 2009 compact pickup truck #536 which is a Ford Ranger, extended cab, 4-wheel drive pickup truck with an approximate vehicle mileage of 57,000. Upon review, BPW Staff confirmed that Barber Ford was the low bidder and that all specifications were met. However, following a review of the available options, BPW Staff recommends that an optional “Reverse Sensing System” be added to the Barber Ford Bid at a cost of \$275.00 to further enhance vehicle safety. The need to purchase and professionally install accessories such as vehicle warning lights and relocate bed-mounted storage boxes will be requirement to outfit the vehicle for service. The estimated cost of these accessories and professional services is \$1500.

19.009      Purchase 2019 Ford Pickup for Water Department Truck Replacement

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to award the bid for a 2019 ½-ton regular cab 4-wheel drive F-150 pickup truck with the optional “Reverse Sensing Systems” to Barber Ford in the amount of \$18,292.35 which includes purchase by BPW employees or submitted to Barber Ford for the quoted trade-in amount and that \$1500 be appropriated to equip the new vehicle with warning lights and other accessories as necessary. Motion carried.

Water Operations Manager Levandoski reviewed the Water Department report and updated the Board on the Water projects.

***Water Cost of Service and Rate Unbundling Study***

An objective for FY2019 is for the BPW to complete a Water Cost of Service Study. This effort would include: review of BPW Contract Customer rates, long-term financial projections, determination of water revenue requirements, rate design review and recommended rate adjustments. In October 2018, the BPW approved the retaining of UFS Utility Financial Solutions, LLC to complete this work. UFS has issued

their preliminary work and will be at our February meeting with the Board to discuss. UFS preliminary recommendations have been included in the FY2020 budget assumptions.

#### ***FY2018 Holland BPW Water Bill Reconciliation and FY2019 Fixed Fee Calculation***

The Holland Board of Public Works has completed the audit and reconciliation for the wholesale water cost for FY 2018. After considering the threshold for adjustment in the Wholesale agreement with Holland, no reconciliation amount is due for the fiscal year ended June 30, 2018. In addition, for FY2019, the BPW will see an increase of \$10,410 per month for the fixed monthly fee based on the Holland Board of Public works FY2019 water budget. This increase is partially due to additional assets being capitalized, expenses related to the water utility and increase in the overall percentage of water purchased by the Zeeland Board of Public Works. The BPW water bill for the October usage included the monthly increase of \$31,229 for the months of July, August and September 2018.

#### ***FY2020 BPW Budget Development Assumptions and Timetable***

Staff is currently in the process of assembling Electric and Water Budgets for FY2020 along with the Six Year Capital Improvement Programs for the Electric and Water Utilities. We plan to review our timetable for budget development along with initial budget assumptions at the meeting.

#### ***MPPA Peaking Project Study Authorization***

The MPPA has been working with another Joint Action Agency exploring an opportunity to construct and operate an electric generation peaking facility. The Zeeland BPW has a long-term need for electric capacity and is very interested in participating in this effort.

#### 19.010            MPPA Peaking Project Study Authorization

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to approve the General Manager to commit to participate in the evaluation of the MPPA Electric Generation Peaking Project for up to a 25% allocation of the proposed project in accordance with the costs outlined. Motion carried.

#### ***Planning Year 2019/2020 Electric Capacity Purchase***

Prior to the start of the next planning year, the Zeeland BPW thru MPPA must demonstrate it owns or has rights to sufficient electric capacity to meet its MISO planning requirement. The anticipated deficiency is 10.5MW.

#### 19.011            Resolution – Authorization of Electric Capacity Purchase

Motion was made by Commissioner Dykstra and seconded by Commissioner Cooney to approve the Resolution authorizing the General Manager to commit to the purchase through the Michigan Public Power Agency up to 10.5 MW of Capacity deliverable to MISO Zone 7 for Planning Year 2019/2020 at a price not to exceed \$3.50 per kW-Month. Motion carried.

#### ***Planning Year 2022/2023 Electric Capacity Purchase***

Public Act 341 (PA 3241) enacted in late 2016, requires all electric providers to annually demonstrate to the MPSC that they own or have rights to sufficient capacity to meet 95% of their ISP capacity obligation up to 4 years after the current planning year. MISO is the ISO that BPW is in and its capacity obligation is known as “Planning Reserve Margin Requirement” (PRMR). In PY2022/23, the BPW is potentially deficient 8.4MW in meeting this requirement, assuming a peaking generating resource currently under consideration by the BPW cannot be included. The BPW must file its demonstration prior to the next Board Meeting, and is still waiting to see if its peaking generating resource under consideration can be included.

19.012        Planning Year 2022/2023 Electric Capacity Purchase

Motion was made by Commissioner Query and seconded by Commissioner Cooney to authorize the General Manager to commit to purchase through the Michigan Public Power Agency up to 8.4MW of Capacity deliverable to MISO Zone 7 for Planning Year 2022/2023 at a price not to exceed \$3.50 per KW-Month, subject to being unable to include the peaking generating facility under review. Motion carried.

19.013        BPW Representative Appointments

Motion was made by Commissioner Query and seconded by Commissioner Cooney to:

- Appoint Andrew Boatright and Robert Mulder as the Primary and Alternate Representatives respectively to the Michigan Municipal Electric Association,
- Appoint as the Primary and Alternate Representatives respectively to the Michigan Municipal Electric Association,
- Appoint as the Primary and Alternate Commissioners respectively to the Michigan Public Power Agency,
- Appoint Andrew Boatright as the “Member Authorized Representative” as defined in the MPPA “Energy Services Agreement” to act on Zeeland’s behalf in matters concerned with the Agreement and MPPA’s Energy Risk Policy
- Appoint Andrew Boatright and Mark Cooney as Zeeland’s representatives to the Michigan Professional Insurance Authority Board of Directors for the two-year term ending December 31, 2020.

Motion carried.

Information Technology Manager Carlton reviewed the IT Department’s activities and explained that Zeeland BPW currently has three computer networks that contribute to the core business systems. They are the private business network, the electric SCADA network and the water SCADA network. The private business network is comprised of our core network switches and servers that host a variety of business applications including customer billing, email, and financial management. The SCADA Networks are used primarily to monitor and manage key equipment involved in the delivery of water and electric services. These SCADA systems are integral to the Zeeland BPW mission and any disruption in service could result in significant financial loss. Other negative issues associated with unscheduled downtime include negative press coverage and loss of public and private industry confidence. Although originally implemented as separate networks, over time the SCADA network has become comingled with the business network at some BPW facilities. In addition to the comingling of the networks, the electric SCADA servers need to be upgraded and a system needs to be implemented to ensure that they are patched on a regular basis. Recent security audits have identified these areas as points of vulnerability that need to be addressed. Because of the complex nature of this work, it is imperative that we select a consulting company that has a thorough understanding of our network as well as the depth of experience and expertise necessary to complete this project. Based on these parameters, BPW staff recommends that we use IP Consulting out of Grand Rapids for this project.

19.014        SCADA Separation Services

Motion was made by Commissioner Query and seconded by Commissioner Cooney to award the bid to IP Consulting to install new network equipment and servers for a total cost of \$84,055.00. Motion carried.

Carlton presented to the Board the Information Technology Strategic Plan for the BPW explaining this plan is not only for the present but also the future. He explained the need for stronger IT security and identified strengths, weaknesses, opportunities, threats and technology trends.

### ***Zeeland BPW Energy Risk Management Policy Update***

In 2012, in order to establish a formal umbrella that would govern risk management associated with BPW power supply, the BPW adopted an Energy Risk Management Policy. This policy identified internal; power purchasing authority as well as ratified the MPPA Energy Risk Management Policy and MPPA Hedging Policy. In 2018. MPPA approved updates to their policies that clarified but did not materially change them. The BPW needs to update its policy to include amendments to the MPPA Policies as well as to specify the BPW Member Authorized Representative by title as opposed to name. The current policy appoints the current General Manager by name.

#### 19.015      Approve ZBPW Energy Risk Management Policy Statement

Motion was made by Commissioner Cooney and seconded by Commissioner Query to approve the “Zeeland Board of Public Works – energy Risk Management Policy Statement. Motion carried.

### ***Vertellus Bankruptcy***

Cook explained they have been working with City Attorney Donkersloot to get some type of resolution to the issue going forward and he is recommending that the BPW write it off the amount that is owed which is \$109,000. Steve Collins is in the process of working with the auditors to do this. Donkersloot suggested we put something in our procedures how to handle this type of issue in the future.

Motion was made by Commissioner Cooney and seconded by Commissioner Dykstra to write off \$109,000 that is owed to us by Vertellus. Motion carried.

### ***Future Events***

- Next BPW Meeting – February 19, 2019
- MPPA Meeting: Lansing, MI – January 16, 2019 10:00 a.m.

Motion was made and supported that the meeting be adjourned at 5:45 p.m. Motion carried.

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Pamela Holmes, City Clerk