

Board Regular Meeting - Electronically
Board of Public Works
May 12, 2020

The regular meeting of the Board of Public Works Commission was held electronically at the Board of Public Works office, 350 E. Washington, Tuesday, May 12, 2020. Chairperson Boerman called the meeting to order at 3:30 p.m.

PRESENT ELECTRONICALLY: Commissioners – Chairperson Boerman, Dykstra, Walters, Query,
Vice-Chairperson Cooney

ABSENT: Commissioners – None

Staff Present Electronically: General Manager Boatright, Electric T&D Manager DeKraker, Electric Power Supply & Market Operations Manager Mulder, IT Manager Carlton, Water Manager Levandoski, Accountant Collins and City Clerk Holmes

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to approve the minutes of the April 14, 2020 regular meeting. Motion carried.

Public Comment

No public comment given.

Safety Minute

This month's safety minute was yard work safety.

20.040 Approve Cash Disbursements and Regular Monthly Transfers

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve the April, 2020 cash disbursements and the regular monthly transfers for the month of May, 2020 as follows:

Cash and Investments as of: April 30, 2020

	Electric	Water
Receiving	\$3,367,262	\$429,486
Accumulated Debt Service (in Receiving Fund)	-	167,331
Plant Improvements and Contingencies	26,744,441	11,696,255
Bond and Interest Payment Reserve*	-	<u>131,000</u>
Totals	<u>\$30,111,702</u>	\$ 12,424,071

* Reserve required per electric and water revenue bond ordinances.

Recommended Transfers for the Month: May, 2020

	Electric	Water
Receiving	(785,486)	(136,531)
Accumulated Debt Service	-	24,831
Plant Improvements and Contingency	744,100	111,700
General Fund (per charter provision)	41,746	-

Motion carried.

Water Operations

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

DeKraker explained that PGM, Plant Growth Management Systems, has been awarded our tree trimming management work again this year. They assisted us in going out for bid for the different contractors that are needed for the right of way clearance (tree trimming) work. For the manual tree trimming, we agreed together to

recommend Williams Tree Company at \$75 per hour. Although Williams Tree Company bid \$3.00 higher than Tru-Cut Tree Service, we feel the benefit of having the same crew for both manual workload and mechanical (mowing) will outweigh the costs. We estimate about 350-450 units for this coming fiscal year, which equates to a total of \$1,050 to \$1,200 increase for the year to choose Williams Tree over Tru-Cut. Having an onsite tree crew that also has the mowing contract can cut costs and opens up opportunities to mow even just a few spans a year when in past years, it has proven to not be cost effective to have a crew drive long distance just to mow a few spans a year (paid travel time would be higher than the cost of work). Further, PGMS has had several positive experiences working with Williams Tree Company on other accounts.

For the mechanical tree trimming (mowing work) we both agree that Williams Tree Company should be chosen at \$180/hour. We feel Williams Tree Company is well fit to handle the workload. If Williams Tree Company is chosen for hand cutting tree work, it will be beneficial to have the same crew for both hand cutting tree work and mechanical clearing in cases which the two crews are required to work together on a project.

For the herbicide workload, we agree with PGMS to award M.A.A.C. Property Services. When considering both their man hour cost as well as their product cost, they were the least expensive. The cost per hour for a 2-man crew is higher but the cost per gallon of mixed product was significantly less which is what effects the cost the most. The total cost per gallon bid for ready to use product was \$1.74. We have had many positive experiences working with M.A.A.C Property Services.

20.041 Tree Trimming Contract Services

Motion was made by Commissioner Cooney and seconded by Commissioner Query to approve Williams Tree Company for our Manual Tree Trimming at the bid price of \$75 per unit, Williams Tree Company for the mowing at \$180 per unit, and M.A.A.C Property Services for herbicide work at \$1.74 per gallon of product and \$140 for a 2 man crew per hour. Motion carried. All voting aye.

Electric Transmission & Distribution

Manager DeKraaker reviewed the Electric Department report and updated the Board on the Electric projects

Information Technology

Information Technology Manager Carlton updated the Board on current activities and projects.

Electric Power Supply & Market Operations

Manager Mulder updated the Board on the current operations status, activities and projects.

Mulder explained the Washington Pump Station Generation Facility was constructed in 2002, and contains two 1.0 MW natural gas fired Caterpillar generators. The voltage regulators on both units are in need of being upgraded to the current supported version, Caterpillar Digital Voltage Regulators (CDVR). This was brought to the attention of staff last summer, when the voltage regulator on one of the units failed. Because the CDVR upgrade requires engineering work in addition to upgrading the regulators on both units, the decision was made to replace the failed voltage regular with the existing type, in order to immediately return the unit to service. Consequently, a CDVR upgrade on both units was budgeted for FY2021, along with a previously planned comprehensive upgrade of the generator controls and protections. Due to funds remaining in the FY2020 Generation Capital Improvement Plan, staff believes that using a portion of these funds to complete this CDVR upgrade now is prudent.

During the evaluation of this upgrade, bids were requested and received for these services from both Michigan CAT and Theka Engineering Solutions. Although Theka was not directly involved in the construction of this facility, they have significant experience with Caterpillar generators, and were extensively involved in the design and construction of the BPW's Riley Generation facility, and others like it. Furthermore, the BPW has historically used Theka for our generator engineering and consulting needs.

20.042 Washington Pump Station Generator Voltage Regulator Upgrade

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve a contract totaling \$14,236.00 be awarded to Theka Engineering Solutions to perform the CDVR voltage regulator upgrade on both Caterpillar generators located at the Washington Pump Station Generation Facility. Motion carried. All voting aye.

Mulder also updated the Board on the property at 49 N. Centennial. Mulder reviewed the demolition process/cost and that it would have to go before the Planning Commission. In regards to the Building Space Utilization/Master Planning Project, Interactive Studio presented their Phase 1 plans to Staff in April. Staff would like to present this to the Board at a special meeting on Tuesday, May 26, 2020, at 3:30 p.m.

20.043 Demolition Permit

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve moving forward with the demolition permit and present this to the Planning Commission at their June meeting. Motion carried. All voting aye.

Boatright introduced the GIS Intern, Will Langejans. Will is a senior at Grand Valley with a Geography Major and is looking to further his skills in geographic systems.

COVID-19 Business Operations Update

Electric and Water Usage Impacts – Staff is monitoring the overdue accounts. Boatright reported it really has not been that big of an issue and has been similar to the previous months. At this time, monitoring will continue on the accounts and see what happens. Staff is also talking about a possible Power Dollars Stimulus for the summer. Details are still in the works but this is something that would be beneficial not only to customers but also to business owners.

Customer Service Counter Re-Opening - Tentatively opening on June 1 and we are monitoring what other cities and neighboring utilities are doing. This date is between bill due dates so it would be a good soft launch. We are planning on allowing no more than 3 customers in the lobby at one time, floor decals will be placed for social distancing and sneeze guards have been ordered. The Billing Clerks are on a rotating schedule until further notice.

Staffing Plan Update - Slowly bring back staff. The Managers are currently on a rotating schedule and the goal is to keep one Manager on premise at all times. Boatright also updated the Board on the schedules and staffing of the Water Department, Electric Department, Power Plant and part-time workers.

FY 2021 Budget Update

At their regular meeting of May 4, 2020, City Council approved the City of Zeeland FY2021 Budget. There were no changes recommended to the BPW FY2021 budget.

FY 2021 Electric Rates and Fee Revisions

Utility Financial Solutions, Inc. (UFS), a utility cost-of-service and rate design consulting firm, was retained by BPW in 2017 to perform a cost-of-service study for the BPW electric utility. UFS has completed the study and findings indicate no near-term residential, commercial, or industrial retail rate increases are necessary. However, the utility is under-recovering its costs for street lighting and is also under-recovering its fixed costs for residential, commercial, and industrial customer classes under the present-day rate structures. The study recommends that the Street Lighting Service Rate S be increased over time to attain cost-of service coverages. The study also recommends that revenue neutral rate adjustments to residential, commercial, and industrial rate structures be made gradually over three years in order more appropriately align Customer Charges and Facilities Charges to the recovery of our fixed costs which will ensure the long-term economic stability for the enterprise and, importantly, to mitigate the effect of “rate shock” to our customers. The rate revisions proposed in this legislation represent year three (3) of a planned three-year transition.

20.044 Approval of Electric Rates and Fee Revisions

Motion was made by Commissioner Query and seconded by Commissioner Walters to approve the proposed revisions to the Electric fixed charges and energy charges in accordance with the findings of the Electric Cost of Service Study performed by Utility Financial Solutions, Inc. If approved by the Board, staff will request City Council consideration at their June 1, 2020 regular City Council meeting with the anticipation that the new rates would become effective on July 1, 2020. Motion carried. All voting aye.

FY2021 Water Rate Revisions

Utility Financial Solutions, Inc. (UFS), a utility cost-of-service and rate design consulting firm, was retained by BPW in 2018 to perform a cost-of-service study for the BPW water utility. The UFS study findings indicate no need for near-term retail rate increases. However, the utility is under-recovering its fixed costs under the present-day rate structure. The study recommends that revenue neutral rate adjustments be made gradually over the course of multiple years in order more appropriately align retail rates to the recovery of our fixed costs which will ensure the long-term economic stability for the enterprise and, importantly, mitigate the effect of “rate shock” to our customers. One of the primary purposes of a cost of service study is to allocate costs between flow (Commodity Costs) and customer service costs (Customer Costs). Commodity Costs are costs that tend to vary with the quantity of water used, as well as costs associated with purchasing, pumping and distributing water to customers. Commodity costs include wholesale water purchase costs plus pumping stations and transmission lines.

Customer Costs are costs associated with serving customers regardless of their usage or demand characteristics. These are referred to as fixed costs. Customer costs include the operation and maintenance expenses related to meters and services, meter reading costs, billing and collection costs. A summary of the of the results of the cost of service analysis was given to the Board.

20.045 Approve FY 2021 Water Rate Revisions

Motion was made by Commissioner Dykstra and seconded by Commissioner Cooney to approve the proposed revisions to the Water Customer Charge and the Commodity Charge in accordance with the findings of the Water Cost of Service Study performed by Utility Financial Solutions, Inc. If approved by the Board, staff will request City Council consideration at June 1, 2020 regular City Council meeting with the anticipation that the new rates would become effective on July 1, 2020. Motion carried. All voting aye.

Consideration of Community Grant Applications

Boatright reported one Grant Application has been received. The deadline for applications was May 1, 2020 and Innocademy submitted the lone application for a Community Natural Play Structure in the amount of \$25,000. Boatright asked the Board if the deadline should be extended due to the Corona Virus. After discussion, the Board decided to extend the deadline to September 1, 2020 and give a portion of the Grant to Innocademy.

20.046 Award Community Grant

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to award \$5000 to Innocademy for their Community Natural Play Structure, and due to COVID-19, extend the Grant Application deadline to September 1, 2020. Motion carried. All voting aye.

Registration of NANR Autumn Hills in the Ohio Market and REC Sale

Mulder explained both Michigan and Ohio have enacted legislation requiring electric utilities to supply a portion of their electricity from renewable sources and use Renewable Energy Credits (REC's) for tracking and compliance. The compliance requirements differ between states, and Ohio permits the registration of renewable energy generation facilities located in contiguous states to register and participate in the Ohio market, whereas Michigan does not. Due to differences in market conditions, REC's in the Ohio market have traded at a value of \$4.00 - \$6.00 more than those in the Michigan market in recent years. Due to other sources of renewable energy coming online through contracts with MPPA and the forecasted increased generation at the Autumn Hills facility,

BPW staff believe that it should take advantage of this financial opportunity. Consequently, staff intends to submit an application to register the facility and sell the REC's generated from the Autumn Hills facility in the Ohio market. Mulder provided a summary of the steps required by BPW and NANR personnel to complete this process.

Upcoming Events

- **Next Regular ZBPW Board Meeting, June 16, 2020, 3:30 p.m., Howard Miller Public Library (NOTE: CHANGE OF LOCATION)**
- American Public Power Association "Public Power Connect: Virtual Summit & Business Meeting" June 8-10, 2020 (See information included in this packet.)

Motion was made and supported that the meeting be adjourned at 5:30 p.m. Motion carried. All voting aye.

Pamela Holmes, City Clerk