

Board of Public Utilities

Regular Meeting Minutes

Monday, March 31, 2014
4:00 p.m., DPW Conference Room, 1199 8th Avenue



1. Call to Order by Burr at 4:00 p.m.

2. Roll Call

Present: Henry, Roberts, Rose (ex-officio), Winkel, Burr
Absent: Overhiser (ex-officio), Stein (ex-officio), Stickland

Motion by Henry to excuse Stickland. Second by Roberts.
All in favor. Motion carried.

Also present: Wendy Hochstedler, Finance Director; Larry Halberstadt, City Engineer; Bill Conklin, Electric Engineer; Michael P. McGeehan, GRP Engineering

3. Approval of Agenda

Motion by Winkel, second by Henry to approve the agenda as presented.
All in favor. Motion carried.

4. Acceptance of Minutes for the Record – February 21, 2014 Special Meeting

Motion by Henry, second by Winkel to accept the February 21, 2014 Special Meeting Minutes for the record with corrections by Chairman Stickland via email:

Page 5, Item #14, as follows: Stickland stated that staff should tell the customer to run their water and the utility billing department will issue the customer a credit based on half of the water consumption of the ~~previous~~ current year. Stickland suggested doing this on a case-by-case basis ~~as a staff procedure at the discretion of water staff.~~

All in favor. Motion carried.

5. Interested Citizens in the Audience Will be Heard on Items Not on the Agenda

Margaret and John Kelson-Johnson, 56226 Red Arrow Highway, Lawrence re: their property at 78910 CR 376, Coloma (Covert Township). M. Kelson-Johnson stated the water for their Covert Township property was turned off in 2011 but they continuously get a bill. Wondered why they are being billed for what they are not using. Called and was told to remove the meter and bring it in; did that and then were told by someone at the desk that they could

have been charged with meter tampering. Stated they bought the house, gutted it and there is no plumbing in the house, yet their bill since the water was shut off is over \$1,000. Explained their economic difficulties.

Mayor Burr explained that the water department can cut the service at your end but there will be a \$5,400.00 charge if you ever want to reconnect. There was discussion regarding whether cutting off the service would require reaching the main by cutting into the pavement. Burr noted that what the Kelson-Johnson's are being billed for is availability service.

Discussion ensued about whether the yard would have to be dug up but Burr stated the water crews can dig up the main and cut the water off at the main.

J. Kelson-Johnson asked what the thing is sticking up out of the ground, a pipe with a valve that he almost hit the first time he mowed there; Halberstadt said it is probably a curb stop. J. Kelson-Johnson asked if the valve can just be turned off instead of digging up the yard and the road. Burr said if it can be turned off at the curb stop we will do that. Once service is disconnected a note will be put in the file that the purchasers either have to pay back standby charges or pay the tap fee, whichever is cheaper. Burr also noted that the tamper fee would be waived.

M. Kelson-Johnson asked if they can get help with the current bill. Covert Township Supervisor Rose directed the Kelson-Johnsons to the Community Action Services office at the Lily-of-the-Valley Church, Covert.

REPORTS

6. Cost of Energy from Indiana-Michigan Power Company (AEP)

- A. 2013 Billings – All Charges
- B. 2012 Billings – All Charges

Burr reviewed the Cost of Energy report with the board. For the benefit of the new member, Burr explained that the winter month reports do not have a lot of meaning since many of the charges are estimated.

Burr asked what the credit column represents. 6.5 cents has been the city's standard. The only thing that changed a year ago was the demand charge went up, but the cost per kWh remained the same. Burr noted these are all fuel charges that are charged back to the customers.

Discussion ensued regarding the demand charge, with Burr noting that peaks occur early in the morning and during the summer air conditioning season.

7. Financial Reports

- A. Water Fund CuFt Comparisons
- B. Water Fund Financial Statement
- C. Sewer Fund Financial Statement
- D. Electric Fund KWH Comparisons
- E. Electric Fund Financial Statement

Water Fund. Hochstedler reviewed the financial reports. Huff noted that February is still as high as January was; we are still recording high pumpage. Huff noted that city crews located a leak, but we are still running about ten thousand (10,000) gallons per day. Burr noted that our rolling twelve month averages have always fallen within the industry standard, at around fifteen per cent (15%).

Burr explained the way the debt service is credited twice a year, even though it is budgeted monthly.

Sewer Fund. Huff noted that Stickland questioned via email why the operating costs are higher than usual and over budget. Hochstedler and Burr noted that sales are up more than budgeted and operating expenses are less than budgeted. Hochstedler noted she did not locate anything particular, although more was spent on Kalamazoo Street than what was budgeted and this will have to be adjusted.

Regarding the SSES grant expense, Hochstedler noted we are doing the S-2 grant sanitary sewer study; \$104,000 has been spent and the city expects to get the majority back but it has not been put in for reimbursement yet. Burr noted that we have not spent the capital money that was budgeted.

Electric Fund. Burr said we have one million dollars (\$1M) set aside which we will be spending in the next item. Hochstedler explained that the city is selling more and the cost is less because of the estimating; it will all even up in the end. Burr noted that he looks at the year-to-date (YTD) column rather than the monthly. Hochstedler explained that there are more sales but there are expenses which will offset that.

8. Indian Grove Infrastructure Project

A. No Report

Huff noted that the schedule has been updated; will meet with city hall, then the Department of Environmental Quality (DEQ) in April; advertise the public hearing in late May/early June with submittal before July 1st.

9. Unresolved Issues Report

Nothing new at this time.

10. GRP Engineering – 2013-14 Projects

Burr noted there are two categories of projects; under Item Eleven (11) there are four (4) separate contracts to be awarded.

Michael P. McGeehan, P.E., President, GRP Engineering, Inc. reviewed the four bids GRP went out for:

- A. Cable, which is a major portion of that project since it is an underground cable project.
- B. Padmount Switchgear, accounts for the other major material on the project.

The two labor portions are broken up into :

C. Conduit Installation.

D. Electrical Cable and Equipment Installation.

NEW BUSINESS

11. Board will be requested to approve award of four Veterans Boulevard Underground Project bids.

After the review by the GRP representative (see Item 10) and discussion

Motion by Henry, second by Winkel to approve all four bids as follows:

- A. Medium Voltage Underground Cable to Power Line Supply in the amount of \$176,700.
- B. Padmount Switchgear to Champion-Charter in the amount of \$48,018.00.
- C. Conduit Installation to Compton, Inc. in the amount of \$117,917.50.
- D. Electrical Cable and Equipment Installation to Kent Power, Inc. in the amount of \$118,215.95.

All in favor. Motion carried.

12. Board will be requested to approve award of the Core City Secondary Upgrades – Phase 1 bids.

Burr explained this is a proposal to rebuild the secondary services to the houses south of St. Basil's. This area has never been upgraded and is the area that experiences the most outages. Noted there will be creative tree trimming and construction. Burr asked that GRP not delay; getting this done is a top priority. Michael P. McGeehan responded, "Understood."

Huff noted that these actual bid prices can be extended to the other phases to give an estimate of the potential cost of what is still coming up. McGeehan noted that GRP is looking to replace all the secondaries in this core city area where the most outages are. We now have hard numbers for Phase 1; number of blocks and number of services. A handout was distributed which included the costs, with an average cost per service of \$1,801.32. Noted the map, which was provided for the board to review, which indicates that the highest density of services is in the 1st phase; as we move on to the other phases the density decreases. There is an effort to balance the project out.

Rose asked if this is replacing above-ground which McGeehan confirmed as correct. Hochstedler asked whether each phase is per year; Burr noted, "No, we want to accelerate this; we have been setting aside the funds for this and we are ready to go."

Conklin noted concerns, stating that the bid results indicate six bidders and really we only received two "very somewhat high" bids. Noted that the low bidder is not very low. Burr said the problem is that we have never trimmed in this area. McGeehan noted that the tree

trimming is not included in these costs; tree trimming will be done by Tree Core. Burr explained the contract with Tree Core and noted they have been informed of this project.

McGeehan explained that work will not be done in May, June and July, with the knowledge that these contractors are very busy and have a completion date to of December 31, 2014. McGeehan noted the cost for underground is considerably higher than above ground, and provided the numbers regarding the difference to try to show the cost per customer. McGeehan said we noted this is an issue from secondary service from pole, to pole, to pole. Many times we see that trees have broken through the lines. Burr stated that area has not been worked in thirty (30) years; McGeehan commented, "Or probably longer." Burr questioned, "This includes some new poles?" to which McGeehan responded, "This includes all new poles, with the exception of a few that have been replaced recently." According to Burr, "Fences will be coming down, favorite trees will be trimmed, and so on.

After a question by Henry regarding the boundaries on the map, McGeehan explained that the map is a visual but there will be some legs that go beyond the depiction. McGeehan said his biggest concern is the workload of the contractors, both in and out of state.

Motion by Henry, second by Winkel to approve a recommendation to City Council to award contractual services for Core City Secondary Upgrades – Phase 1 to Kent Power, Inc. of Kent City, Michigan in the amount of \$478,852.98. Labor and materials to be provided are defined in the contract documents prepared by GRP Engineering.

All in favor. Motion carried.

Discussion of who is doing the tree trimming, Huff reiterated that the city has a contract with Tree Core and that they are aware of the scope of this project.

13. Board will be requested to approve a recommendation to City Council to approve an Amendment to the Cost-Based Formula Rate Agreement for Full Requirements Electric Service with Indiana Michigan Power Company.

Halberstadt explained the sharing of off system sales as currently defined in the Cost-Based Formula Rate Agreement. Due to a modification of the agreement between various AEP subsidiaries, the volume of off system sales could potentially decrease moving forward. In order to ensure that the amount that South Haven pays for electricity does not increase substantially, IMMUDA has negotiated a settlement that permits an earlier termination date for the Agreement. In the event that costs escalate, the City could consider early termination and seek pricing from other power supply vendors.

Motion by Winkel, second by Henry to pass a motion recommending that Council approve the Amendment to the Cost-Based Formula Rate Agreement for Full Requirements Electric Rate, Schedule 108. Council's approval to take the form of a resolution authorizing the Mayor to execute the Amendment on behalf of the City.

All in favor. Motion carried.

14. Next meeting is scheduled for Monday, April 28, 2014 at 4:00 pm in the DPW Conference Room, 1199 8th Avenue, South Haven, Michigan.

15. Director's Comments

Updated the Board on water main breaks since November 13, 2013 through the present.

16. Board Member Comments

Rose: We have a small leak at Covert Park that staff is trying to identify; it is on our side.

Burr: Noted that according to Kevin Anderson, City Manager from Dowagiac (former South Haven City Manager) Dowagiac is going into automated metering through Itron, Inc. Burr noted Itron has been at Consumers since 1973 or 1974 and pointed out that at some point the City of South Haven are going to have to do an automated metering system; this one through Itron is outage related.

Burr explained that a municipality can adopt a pre-pay system where the customer can put down \$300, for example, and it is up to the customer to replenish the amount before it runs out. Winkel suggested that maybe it could be automatically replenished, kind of like the I-Pass, through a customer's bank. It was noted that this could replace the deposit. Halberstadt noted there pre-pay systems typically include an in home display to keep the customer informed of their account balance. Burr noted that when the money runs out the meter shuts off. Burr has requested that Itron come and show us their system. Henry asked what kind of cost would be involved for this kind of system. Huff noted that city staff looked at that a while ago and the cost was pretty high.

Henry asked about his gas bill which seemed extremely high. Discussion ensued regarding the parallel with other utility bills; there could have been estimated reads for January and February, and his current bill could be the "catch-up" with an actual reading. Suggested contacting the utility.

17. Adjourn

Motion by Henry, second by Roberts to adjourn at 5:03 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary