

Board of Public Utilities

Regular Meeting Minutes

Monday, May 18, 2015
4:00 p.m., DPW Conference Room
1199 8th Avenue



City of South Haven

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

2. Roll Call

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

Absent: Roberts, Rose

Also present: Lou Adamson, Matt Super, Mike DeGrandchamp, Al Dubuisson (South Haven Township and Casco Township Water and Sewage Treatment Authority)

3. Approval of Agenda

Henry asked if the Abonmarche presentation could be moved up in the agenda.

Motion by Henry, second by Winkel to approve the May 18, 2015 regular meeting agenda as amended:

Move Item 6, Cost of Energy from Indiana-Michigan Power Company (AEP) to become Item 5a.

Move Item 10, Abonmarche update of the Sewer System Evaluation Study to become Item 5b.

All in favor. Motion carried.

4. Approval of Minutes for the Record – April 27, 2015 Regular Meeting Minutes

Motion by Henry, second by Burr to approve the April 27, 2015 regular meeting minutes as written.

All in favor. Motion carried.

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

Robert Adams, 10925 Portage Road, Portage, Michigan. Stated he owns a house on Edgell Street which had an abnormally high water bill. Was billed for over 10,000 cu. ft of usage. Noted that the water was shut down in the winter.

Roger Huff: Stated that Adams has been working with staff in the Water Department and Customer Service/Utility Billing. A public works crew was sent out; the meter was not turning when they inspected it but they replaced it anyway so they could test the original meter, which tested one hundred percent (100%). "There was no leak when our crew was out there."

Burr asked if anyone pressure tested the service to see if it holds. Halberstadt said that would be on the customer side to which Burr responded, "Yes, you test it at the meter." Halberstadt pointed out that the crew would have to be able to get in the house to test the system on the customer side. Roger added that staff read and reread over a couple weeks and got normal reads. There was not any sign of a leak.

Burr said a reading of 10,000 is obviously an incorrect read/usage amount. Discussion ensued regarding the reads before and after changing out the meter. Stickland noted that the time period of the billing was not even a full month.

Burr suggested looking at the last twelve (12) months and substituting an average of those readings for the inaccurate reading. Henry noted that seems like a reasonable solution. Stickland said the usage after the abnormal read appeared normal.

Hochstedler asked who does the pressure test of the service to which Roger responded, "City staff does but we don't test past the meter." Burr pointed out that the new meter is in place; the dials are not turning; everything is shut off in the house. Burr concludes that Adams evidently does not have a leak inside the house.

Motion by Henry to use the historical usage numbers to calculate a twelve (12) month consumption average. Second by Winkel.

Discussion of estimates and actual. All in favor. Motion carried.

5a. Cost of Energy from Indiana-Michigan Power Company (AEP)

- A. 2015 Billings – All Charges
- B. 2014 Billings – All Charges

Discussion ensued regarding the increase in the true-up from last year to this year. Multiple questions were posed regarding how the cost per kilowatt hour is calculated and what the increase in cost equates to in dollars. Burr stated before the board adjusts any rates we have to know what the increase is.

Stickland gave a couple of scenarios of how the rates could be adjusted to which Burr responded that the transmission fee has to be captured. After further questions and discussion, Stickland noted that the board will table this discussion until next month.

5b. Abonmarche will present an update of the Sewer System Evaluation Study.

Chris Cook, P. E., President/Chief Executive Officer, Abonmarche. Noted this is a new and revised presentation; new information was received and is noted in this draft. Informed that this project was a grant that funded the study to figure out what is going on with the sewer systems. The Department of Environmental Quality (DEQ) requires that a theoretical storm be modeled and tested. Explained what the data showed and did sewer televising to define whether the pipes met a certain criteria for cracks, displaced joints, root intrusions etc. which culminated into this plan. Noted this study began in 2011 and Cook expects to have it complete and ready for review by council in June before the July grant application deadline.

Cook explained why they smoke tested certain areas and the areas that were televised to find problematic areas. Combined thoughts on sewer system with the thoughts from the previous study on the Waste Water Treatment Plant. Looked at a program that might take us over twenty (20) years to accomplish but meet the goal of the city to keep the costs to about \$1M per year; some years were problematic as projects got bigger. Noted the Dyckman area has already been done. Reviewed the various years and what is budgeted for those years to be funded. Stepped through the various phased areas; noted the city would be into the late 2020s before all the work could be complete in the system and beyond that date for the Waste Water Treatment Plant.

Cook reviewed the various years and in the later years some of the projects have to exceed the \$1M per year to accomplish the larger projects. Cook also explained the benefits of combining some of the projects rather than using the pay-as-you-go approach.

Explained the Alternative Phasing beginning with Dyckman (already complete), then the Peterson Ravine and Kalamazoo Street which are budgeted for 2016. After the first segment, Abell, Edgell and Lyon at one per year for three (3) years, which are about four hundred thousand dollar (\$400,000) projects, the plan gives a few years to catch up; pay off initial debt and get ready for the next project, which would be completion of Indiana Avenue and north and south ends of Center Street. Cook noted that the center portion of Center Street is being studied at present; the city is currently putting a cap on that street that will last for the ten (10) years we need. Then the last couple of Waste Water Treatment Plant projects would be done.

Tony McGhee, Business Development Director, Abonmarche: Noted that the cost of treating the extraneous flow is higher than actually fixing the problem.

Cook noted that they have engaged a rate consultant to do a detailed analysis.

Burr requested that Cook show everyone what projects qualify for township users rates to change. Looking at the overall project map, Cook noted that the Indian Grove lift station, the main lift station consolidation and all the plant work are the projects that will affect the township rates.

Dubuisson asked how you figure out what percentage of the rate change will be city and what will be township. Cook responded that it is based on each user. Stickland commented that technically the township should share in the drain work to which Cook said, "Arguably, but the city has that budgeted, and it's only a sixty-three thousand (63,000) to eighty-three thousand (83,000) dollar project."

There were questions and discussion regarding capacity to handle the needs and Cook noted that they have built in accommodation for growth.

Super asked questions and expressed concern about the lack of budgeting in the past for these projects and the cost of the studies being conducted. Stein noted that twenty (20) years ago when the water and sewer agreement was made, the infiltration rate was much higher. "They have been working on the infiltration problem; there is funded depreciation. It is tough, at least politically, to sell putting the money aside." Overhiser noted there is funded depreciation with the water plant; it was easy to keep rates low back then; people do not want to pay any more than they have to. Stickland pointed out the differences between running a city and running a business.

DeGrandchamp and Dubuisson indicated that they like the second alternative where the projects are completed sooner. Cook noted that the cost ends up being less. Stein noted these numbers are all today's numbers. Discussion ensued regarding the costs rising in the future and the need to do these projects.

At Burr's request, Cook explained that the rate consultant has been engaged and we will have them do a sensitivity analysis of the first segment, noting that in a month or so "we hope to have the results of that. Over the remainder of the calendar year, the rate consultant will look deeper to see how this will shake out and look at what we can do to reduce the impact on the users. There will also be a commercial, industrial, residential breakdown."

Burr asked if a consensus from this group regarding the phasing of the project is needed. Stickland noted procrastination is not a good plan.

Cook explained the required steps: a public hearing where he will do a similar presentation with the addition of some environmental and other things. At that point we will look for council to adopt the plan to be sent to the Department of Environmental Quality (DEQ). July 1st is the deadline for submittals for this fiscal year; you hear in October whether you made the cut; your borrowing goes into earnest of filling out the forms to borrow for a spring/summer borrowing. Dubuisson asked the probability of making the cut to which Cook

responded, that there is a good probability; “The DEQ is looking for applications and that is not always the case.”

Overhiser brought up what he sees as a missing piece: how future capacity will be handled for the township. Discussion ensued regarding the new plant construction. Halberstadt said if the city takes on debt and need to recover that debt, somehow we need to raise rates. Super asked if the townships will be on equal footing with the city. Halberstadt noted Stein and the City Manager are in discussions regarding that. Stein said we want to know if the Water and Sewer authority is in agreement to go with the second alternative plan for the funding.

Motion by Henry that the Board of Public Utilities supports the South Haven Sewer System Evaluation Study prepared by Abonmarche that the projects be broken down into three (3) separate projects over a ten (10) year period and that members of the South Haven Township and Casco Township Water and Sewer Authority were in general agreement with proceeding with this plan. Second by Burr.

All in favor. Motion carried.

REPORTS

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

(moved to 5a.)

7. Financial Reports

- A. Electric Fund – Financial Statement
- B. Electric Fund – Review of Percentage Billed
- C. Electric Fund – Capital Projects
- D. Water Fund – Financial Statement
- E. Water Fund – Review of Percentage Billed
- F. Sewer Fund – Financial Statement

Motion by Burr, second by Winkel to accept the Financial Reports.

All in favor. Motion carried.

8. Unresolved Issues Report

Huff noted no changes in the report.

9. SAW Grant Project Progress Report

NEW BUSINESS

10. Abonmarche will present an update of the Sewer System Evaluation Study.

(moved to 5b.)

11. Public Works Director Comments

A. Next Meeting is scheduled for June 29, 2015

12. Board Member Comments

Winkel: Questioned how to prevent storm water being plumbed into the sanitary sewer.

13. Adjourn

Motion by Winkel, second by Burr to adjourn at 6:45 p.m.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary