

REGULAR MEETING

The HBPW Board of Directors met
June 6, 2022
at 4:00 p.m.
625 Hastings Ave.
Holland, Michigan

Chair Hemingway called the meeting to order at 4:01 p.m.

Members Present: Tim Hemingway, PJ Thompson, Paul Lilly, Sue Franz, Carolyn Maalouf City Council Liaison Nathan Bocks, and Ex Officio Members Bob Shilander and Keith Van Beek

Members Absent: None

Staff Present: Dave Koster, Janet Lemson, Ted Siler, Joel Davenport, Becky Lehman, Chuck Warren, Pieter Beyer, Steve Bruinsma, Amy Yost, Pete Hoffswell, Julie DeCook, Guest Jodie DeVries of Marsh USA

22.222 **Approval of Agenda**

Board Member Lilly made a motion to approve the agenda. The motion was seconded by Board Member Franz.

22.223 **Board Minutes – Regular Meeting Minutes of May 9, 2022, and Study Session Minutes of May 23, 2022**

As part of the Consent Agenda, the Board of Directors approved the minutes as presented.

22.224 **Fiber Optic Cabinet Easement for 880 E. Washington Avenue**

Broadband Services has seen strong use of fiber strands through the east Zeeland area. Current network topology makes it inefficient to provide service, thereby creating an over-use of fiber. To counter this problem, Broadband Services acquired more fiber strands from Ottawa Area Intermediate School District in December 2021 and plans to terminate services to a new fiber node in the area. This recommendation is for the acceptance of the attached easement to support this effort. Enhanced connectivity in the area will create more efficient use of fiber optic resources and expand access to area customers.

The easement has been accepted and signed by Zeeland Community Hospital and approved as to form by the City Attorney.

As part of the Consent Agenda, the Board of Directors approved an easement with Zeeland Community Hospital located at 880 E. Washington Avenue in Zeeland.

22.225 **Electric Power Line Easement at 428 W. 24th Street with Forged Properties, LLC**

In the mid to late 1970s, HBPW endeavored to construct a 138 kV distribution system throughout the service territory. That system required a supporting structure to be installed on private property located at 428 W. 24th Street. The land was a lumberyard at the time with a railroad running between the road right-of-way and the private property. This necessitated a span-guy style supporting structure on private property.

With the lumberyard and railroad no longer present, Forged now wishes to develop the site. They reached out to HBPW requesting HBPW reconfigure the guying system to a more standard down-

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guy style support, which would permit them to develop a larger portion of their parcel. Having property rights to exist as-is, HBPW offered to reconfigure the guying system at cost which was agreed to by Forged. The guying has been reconfigured, and this easement represents the reduced area of land that is required for the reconfigured down guy.

As part of the Consent Agenda, the Board of Directors approved a grant of power line easement with Forged Properties, LLC, a Michigan Limited Liability Company, ("Grantor" or "Forged") for the parcel located at 428 W. 24th Street, Holland, Michigan 49423, with compensation in the amount of \$5.00 for the property owner(s), pending approval as to form by the City Attorney.

Upon and only after the aforementioned easement has been fully executed and recorded, approval of the abandonment of the existing right-of-way easement dated April 18, 1979, for the parcel located at 428 W. 24th Street, Holland, Michigan 49423 will take place, pending approval as to form by the City Attorney.

22.226 **49 W. 3rd Street ("Magna Building") Lease Amendment**

A stainless steel fabrication contractor working on the anaerobic digester project has requested temporary space for a fabrication workshop close to the project site. The parking lot at 49 W. 3rd Street was determined to be an ideal location due to proximity to the project site, easy access and paved surface. Use of the site has been requested for June-October 2022.

This property is owned by HBPW and currently leased to Magna Mirrors North America LLC (Magna), who has granted permission for this temporary use of a portion of the parking lot. The Fourth Lease Amending Agreement, attached for Board approval, memorializes the terms and conditions of this temporary use.

As part of the Consent Agenda, the Board of Directors approved the Fourth Amending Agreement of the property lease for 49 W. 3rd Street and forward to the City for approval and the Mayor's signature.

22.227 **Declaration of Surplus Material**

The HBPW has identified materials and equipment which are no longer pertinent for use. The attached lists show the items determined as excess, obsolete, or uneconomical to repairs. Once declared surplus, the items will be disposed of in the following order:

1. Offered to other City Departments
2. Sell to companies specializing in inventory disposal
3. Auction (utilizing GovDeals online portal)
4. Public auction (in limited cases)
5. Donation
6. Recycling or waste disposal

As part of the Consent Agenda, the Board of Directors approved the attached list of items as surplus.

22.228 **Action on Consent items:**

Motion to approve, accept, or adopt Consent Agenda items	<i>Lilly</i>
Second	<i>Thompson</i>
Favor	<i>5</i>
Oppose	<i>0</i>

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22.229 **Communications from the Audience**

None

22.230 **Major Project Update**

For information only

22.231 **FY 2023 Property Insurance Coverage for HBPW Energy Production Assets**

Board approval of the FY 2023 insurance program provided through Marsh Inc. is requested. The FY 2023 program involves five leading insurance companies, assuming various levels of risk, at a total maximum annual cost 5.87% greater than last year (FY 2023 \$1,053,503 vs FY 2022 \$995,112).

Discussions with the carriers are continuing about the premium reduction associated with eliminating coverage on the 6th Street station. Once these discussions are finalized, FY 2023 final program costs will be reduced. Current quotes are for the same coverage structure as last year.

The carriers and coverage levels are summarized below:

Carrier	Quota Share	Premium
Munich Re	25%	\$ 199,047
AEGIS	25%	\$ 265,843
AIG	15%	\$ 212,250
Allianz	15%	\$ 125,943
Swiss Re	20%	\$ 250,420
Total	100%	\$1,053,503

Since quotes are not yet final, staff also requests that the Board authorize the General Manager to execute the documents necessary to bind coverage, as long the final total premium amount does not exceed \$1,014,503 (amount without unit 6).

Recommendation: The Board of Directors approved the Marsh USA HBPW energy asset property insurance program for FY 2023, at a cost not to exceed \$1,014,503; and permit the HBPW General Manager to execute the documents necessary to bind coverage as long as the cost condition is met.

*Motion to approve recommendation Thompson
Second Maalouf
Favor 5
Oppose 0*

22.232 **City of Holland/Holland Board of Public Works Combined Property/Liability Insurance Program**

Marsh was selected as the new broker for the City of Holland and Holland Board of Public Works for property, casualty, and financial product line coverages in February 2022. Marsh has been the broker on the HBPW property program for the last 3 years and has proven to bring industry experience, carrier relationships, and an industry specific team that yields excellent results in both coverage and pricing.

After appointment, the COH and HBPW met with Marsh to develop a renewal strategy that included a review of current coverages, market conditions, and opportunities for either improvement in coverages and/or pricing. Market conditions remain challenging for municipalities, as well as utilities, due to losses industry wide and exposures inherent in the operation.

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Following summary has been provided by Marsh USA:

Ambridge/Package: Since the City/BPW has been with Ambridge for so many years, Marsh decided to do a limited marketing effort that included Travelers and Liberty. After underwriting and loss control calls were completed, Liberty could not be competitive with expiring pricing and Travelers could not get comfortable with the liability exposure for the utility. Thank you to the COH/BPW for your work/time to make this review possible. We also had the opportunity to meet with the Ambridge team and demonstrate the safety and training investments that the COH/BPW have made, further differentiating our programs from others around the country. In the end, Ambridge provided renewal quote of 10% (lowest we've seen this year), plus an adjustment for exposures. In addition, the COH/BPW was introduced to the Ambridge learning platform, which can be used in partnership with existing programs to provide additional/current training to staff (no additional charges apply).

Umbrella: There continues to be pressure on the umbrella line due to industry wide losses. While Gemini offered a renewal of \$196,000 (an 18.79% increase), the second layer Allied World cut their capacity in half for the same price (\$5M instead of \$10M for \$106,031). Hallmark is able to round out the \$20M with a \$5M x \$15M layer for \$63,700, but this represents a \$20M tower for \$365,731 vs \$275,085 last year. The COH/BPW raised the umbrella limits historically when limits were more affordable. We have therefore, included benchmarking data to organizations similar in size. Primary umbrella exposures are fleet, power generation, and first responders.

Automobile: Selective originally indicated that for renewal they would be targeting a rate increase of 3-6%. Their original renewal offer came in with a 6% increase but we were able to negotiate with them for a final renewal offer at 4% with coverage enhancements. Last year they offered an overall 3% reduction in premium so there was not a lot of room to push back on the increase. Even with the increase they have asked for the premium is only \$1,635 higher than it was two years ago and this includes an increase of 10 vehicles since then. In addition, Selective has offered loss control support to the City and BPW (including training) at no additional cost.

Workers Compensation: Even with a 5% payroll increase, Accident Fund Ins. Co. of America was able to maintain an extremely competitive renewal rate. Last year, the rate was 1.08 and this year 1.07 This is the result of good loss experience and a great long standing relationship. City of Holland/HBPW's Experience Mod went from .82 last year to .81 this year resulting in a renewal premium of \$325,252, a 3.6% increase. The Accident Fund also has loss control support available to support safety initiatives organization wide. They have agreed to include these services for no additional fee.

Pollution/Environmental: The current policy does not expire until July 2023. However, Marsh was able to secure some mid-term enhancements for no additional premium.

Volunteer Accident: The renewal quote demonstrates a 23% increase for premium of \$1,795 (over expiring \$1,600). This is due exclusively to a loss in 2021 for \$5,943 (resulting in a 371% loss ratio). Coverage remains the same and loss run in provided.

Recommendation: The Board of Directors approved the City of Holland/Holland Board of Public Works insurance program as presented by Marsh USA with a total cost estimated to not exceed \$1,214,856, and an allocation to HBPW estimated to not exceed \$807,442. The \$807,442 includes \$75,000 cyber coverage cost allocation to HBPW.

*Motion to approve recommendation
Second
Favor
Oppose*

*Lilly
Franz
5
0*

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22.233 **Adoption of GASB Statement 62 - Regulated Operations**

Governmental Accounting Standards Board (GASB) No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements - Regulated Operations provides guidance for utilities to match revenues or expenses to rate recovery. Any utility subject to federal, state, or local oversight of rates can follow GASB 62. The Statement recognizes that in some cases revenues intended to cover specific costs are provided either before or after costs are incurred, and it provides a mechanism for deferring either expenses or revenues as assets or liabilities to allow for recognition in the same period. Under GASB 62, if a regulatory body provides assurance incurred costs will be recovered in the future, the utility can record the costs as an asset. If there are revenues incurred in the current period relating to future costs, the utility can recognize the receipt of the revenues as a liability or a deferred inflow of resources. These requirements are specifically driven by the regulated rate recovery for such costs.

Regulatory accounting applies to business activities that are regulated. The standards define regulated operations as those that meet all three of the following criteria:

1. Rates are established by or subject to approval by an independent, third party regulator, or by the governing board empowered by statute or contract to establish rates that bind customers.
2. The regulated rates are designed to recover the costs of providing the regulated services or products.
3. Based on information about the demand for service as well as as competition, it is reasonable that cost-based rates can be charged and collected from customers.

If it is probable that future revenues will be recognized through charging rates to recover deferred costs or revenues and there is a clear link between the future rate recovery and the previously incurred costs or recognized revenues, a utility may use GASB 62 for these items.

Common application of GASB 62 assets and liabilities:

- Regulatory assets
 - o Extraordinary non-routine maintenance
 - o Loss on early retirement of assets
 - o Future recoverable costs
 - o Future pension liabilities
 - o Future OPEB liabilities
 - o Decommissioning costs
 - o Unreimbursed storm damage
 - o Debt issuance costs
 - o Capitalized interest
- Regulatory liabilities
 - o Refunds
 - o Grant revenues
- Deferred inflows of resources
 - o Revenues from contributed assets
 - o Rate Stabilization

Governing body approval of GASB 62 items is required. This can be accomplished item by item or via blanket resolution:

- Detailed approach
 - o Specific item that will receive GASB 62 treatment
 - o Purpose of the GASB 62 treatment

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- o Recovery period through utility rates of the GASB 62 item
- Blanket approach
 - o Resolution by the Board approving common transactions receiving GASB 62 treatment
 - o Minimum threshold amounts established
 - o Makes the process of recording GASB 62 items more efficient and timely
 - o GASB 62 items reported to the Board on a regular (quarterly/annual) basis

The attached Delegation Policy adopts the blanket approach and minimum threshold of \$250,000 for each transaction.

Recommendation: The Board of Directors approved the Regulatory Accounting Delegation Policy D013-2 implementing the use of regulatory accounting as permitted by City Resolution dated May 18, 2022.

<i>Motion to approve recommendation</i>	<i>Lilly</i>
<i>Second</i>	<i>Thompson</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

22.234 **East Point Substation Control Enclosure**

The Electric Distribution FY 2023 capital budget includes an additional \$9,250,000 for East Point Substation construction costs in order to serve customer growth on the southeast side of our service territory. The substation project design includes a control enclosure to house the relay control panels and AC/DC power systems for this substation. Due to long lead times, and the target in-service date of July 1, 2023, for this substation, we have been advised to order this soon to ensure that the build schedule is met. Waiting until the FY 2023 budget year to place an order will potentially delay the delivery of this unit and impact the planned completion date for the project.

Bid results for this equipment are shown below:

Bidder	Price	Difference	Delivery Lead time
EP2	\$836,618	(+0.0%)	(38 Weeks ARO)
Joaquin	\$965,575	(+15.8%)	(38 weeks ARO)
Systems Control	No bid		
CID	No bid		
JAGG	No bid		
Charles Ind	No bid		
Parkline	No bid		
Wunderlich-Malec	No bid		

The staff has evaluated the proposals and has determined that Electric Power Products (EP2) is the lowest evaluated bidder for this control enclosure. The staff is familiar with EP2 products as they have been awarded projects from us in the past

Recommendation: The Board of Directors approved an amendment to the FY 2022 Electric Distribution capital budget, as well as a purchase order in the amount of \$836,618 plus a 10% contingency of \$83,000, for a total of \$919,618, with Electric Power Products, Inc.

<i>Motion to approve recommendation</i>	<i>Thompson</i>
<i>Second</i>	<i>Franz</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

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22.235 **Fiscal Year 2023 Terms of Service Updates**

Terms of Service documents for each of our utilities are reviewed annually and updated from time to time to improve clarity, eliminate deficiencies and add revisions to meet changing industry standards and customer needs. Several updates and formatting changes were made to improve clarity and eliminate deficiencies but do not substantially change the Terms of Service provided by the HBPW and are not identified in this report.

The following items change the Terms of Service and require Board and City Council approval to implement for FY2023.

Electric Terms of Service:

1. General - removed references to "Rate Book" and replaced with "Terms of Service"
2. Definitions - Added SERVICE UPGRADE definition
3. Added section 3.7 Readiness to Serve Charges to match Water and Wastewater Terms Of Service
4. Added section 5.7 Suspension of Service to reflect actions we are already taking but had not defined in the Electric Terms of Service. Defines period available and charges that apply.
5. Section 6.7.1 - added specificity to service location
6. Section 7.1 - Residential EV Charging - added specificity for TOU rate requirement time frame if rebate received. Specified that customers wishing to use an EV battery as a DG asset need to apply through the DG program.
7. Added Section 7.2 Commercial EV Charging - specificity for commercial Level II and DCFC with reference to the Commercial EV program and Commercial Vehicle Charging rate (future item for approval).
8. Section 8.3 Receipt of Payment - Added the on-bill loan account, BB account and Refuse account to the payment waterfall.
9. Section 9.2 Service Extensions - added language to better describe service upgrades and service extensions for existing customers. Made changes to the "Service Extension Fee" language based on the results of the Cost of Service study (years of evaluation).
10. Section 9.3.3 Locating of Underground Electric Lines - clarified that locating of customer owned service lines are performed out of courtesy as part of 811 MissDig locating requests and if any locating issues exist they need to be resolved by the requestor.
11. Chapter 14 Distributed Generation Program - raised the program participation limit to 2% of historical annual maximum demand from 1% per recommendation from the FY2021 Distributed Generation TA results.
12. Section 14.2 Eligibility - Removed "energy storage systems" from the DG program renewable generator definition.

Water Terms of Service:

1. General - removed references to "Rate Book" and replaced with "Terms of Service"
2. Section 5.1 General - added specifics to use of fire hydrants
3. Section 5.2 Customer Piping and Equipment - Added language to specify ownership responsibilities. Added requirements for customer to notify BPW of meter issues (leaks) in a timely manner to avoid damages and limit HBPW liability for damages.
4. Section 7.1 Charges - Added language specifying frontage charges
5. Section 8.1 Receipt of Payment - Added the on-bill loan account, BB account and Refuse account to the payment waterfall.
6. Section 9.1.2 - Specified fire flows for residential and commercial areas.
7. Section 12.2 Cross Connection Ordinances - referenced the ordinance and removed specific ordinance language sections.

Wastewater Terms of Service:

1. Section 4.2.2 - Sewer Service Applications - clarified new service application language to match current requirements and remove duplicate information found on the application.
2. Section 6.2 Flow Meters and 6.7 Deduct Meters - specify units for meters as CCF.

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- 3. Section 7.1 Charges - Added language specifying frontage charges.
- 4. Chapter 10 Services - Added language to specify ownership responsibilities.

Recommendation: The Board of Directors approve the attached drafts of the Electric, Water, and Wastewater Terms of Service documents with the proposed FY 2023 changes incorporated.

<i>Motion to approve recommendation</i>	<i>Lilly</i>
<i>Second</i>	<i>Maalouf</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

22.236

General Manager Comments

- There was a great article in the Holland Sentinel regarding Holland/Zeeland BPW's MISO prospect for an issue occurring is actually low.
- Our HBPW executive staff was on the cover of Connect Magazine. There was also a great article on the future of fiber that was covered in the same issue.
- More efforts are underway for the Holland City Fiber initiative and the election on August 2. Bill stuffers are going out in bills this month.
- June 27 is our next meeting, a study session, and also Dave's birthday! We'll be covering
 1. Electric cost of service
 2. Beneficial electrification program
 3. The value of solar study
 4. May financials

ADJOURNMENT

A motion to adjourn the meeting of *June 6, 2022*, was made by *Franz* supported by *Maalouf* and agreed upon by the Board of Directors present.

The Board Meeting of June 6, 2022, adjourned at *5:58 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board