

**REGULAR MEETING**

The HBPW Board of Directors met  
**April 6, 2020**  
at 4:00 p.m.  
via ZoomTeleconference

**Chair Hemingway called the meeting to order at 4:00 p.m.**

**Members Present:** Tim Hemingway, Diane Haworth, Phil Miller, Sue Franz, Paul Lilly, City Council Liaison Nathan Bocks, and Ex Officio Members Bob Shilander and Keith Van Beek

**Members Absent:** None

**Staff Present:** Dave Koster, Janet Lemson, Becky Lehman, Chuck Warren, Ted Siler, Joel Davenport, John Van Uffelen, and Andrew Reynolds

20.115 **Board Minutes – Regular Meeting Minutes of March 9, 2020**

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

20.116 **Black River Substation Land Lease**

In 2018, Electric Distribution completed the sale of breakers at the Black River substation. HBPW operations at this site, including Electric Distribution monitoring and Broadband Services communications, remain on the site. Equipment for these operations is housed in a communications and equipment shelter that has reached the end of its usable life and is in need of replacement.

Approximately a year ago, Broadband Services acquired a new shelter and started planning for its location on the Consumers property. With this agreement in place, we will be able to continue with site preparation, shelter installation and fiber reconfiguration to complete the project in the summer of 2020.

*As part of the Consent Agenda, the Board of Directors approved a new lease with Consumers Energy for an initial term of 10 years, with the potential for subsequent annual renewals after the initial term, and an annual cost of \$1,500.*

20.117 **2020 Manhole Rehabilitation Project**

HBPW staff have identified 33 manholes along the shores of Lake Macatawa and in high groundwater areas for rehabilitation. These manholes are being targeted for rehabilitation because they are at higher risk of failure due to unstable soils and because they are a potential source of groundwater infiltration.

Due to the specialized nature of the work, there is currently only one regional vendor, Plummer's Environmental Services that is able to perform this combination of work. Because of this, the work is being awarded based on a sole source purchasing approach. Similar work was bid in 2016 with Plummer's Environmental Services being the only bidder.

The \$263,776 for the work will come from the *Sewer Lining and Manhole Abandon* FY20 capital project budget. In conjunction with other sewer lining work that has already been awarded under this project, this contract would bring the total value of work under the capital project to \$800,129, which is within the \$1,000,000 FY20 project budget.

*As part of the Consent Agenda, the Board of Directors approved a contract with Plummer's Environmental Services Inc. in the amount of \$239,796, plus a 10% contingency of \$23,980, for a total of \$263,776, pending approval as to form from the City Attorney.*

\* Red italics indicate information or discussion added during the meeting and/or action taken.

20.118 Action on Consent items:

Motion to approve, accept, or adopt Consent Agenda items	<i>Lilly</i>
Second	<i>Miller</i>
Lilly	<i>Y</i>
Franz	<i>Y</i>
Miller	<i>Y</i>
Haworth	<i>Y</i>
Hemingway	<i>Y</i>
Passed	<i>5/0</i>

20.119 **Communications from the Audience**

None

20.120 **Financial Update**

*For information only*

20.121 **Integrated Resource Plan**

Every five to seven years, HBPW performs an update of the Integrated Resource Plan (IRP) to assist with future procurement of energy and capacity resources for the electric utility. The IRP examines and forecasts electric sales, fuel prices, electric waste reduction and distributed energy expectations, electric vehicle penetration, electric generating unit costs and retirements, emission prices, potential regulatory changes, wholesale electric market energy and capacity prices, and other costs and benefits related to our electric supply. This data is then used to model different proposed scenarios, and the model outputs are used to help guide and inform future decisions related to our electric supply.

In developing the scope of work for this IRP, staff identified two distinct scenarios that were desired for evaluation. The first scenario (the "Base Case") was to model the lowest cumulative present worth cost (CPWC) of the Board's resource mix through 2050. The second scenario (the "Carbon Constrained Case") asked the consultant to model the lowest CPWC resource mix that would also achieve the targeted emission reductions of the City of Holland's Community Energy Plan by 2050. Staff recently updated the City-wide emissions estimates for CY2018, and those numbers served as an input to the Carbon Constrained Case and informed the projected role the electric utility will play in helping to achieve the targeted 10 metric tons of CO2 per capita in the CEP.

In addition to these two main IRP scenarios, other scenarios were evaluated that: 1) forced existing HBPW peaker units to retire in specified years; and 2) targeted more aggressive carbon reductions. Model sensitivities were also conducted to simulate the impacts of fuel and market price variability, as well as potential load growth above model projections (or below projections in the case of a potentially expanded Energy Waste Reduction program). The differential costs of these additional scenarios and sensitivities versus the Base Case and Carbon Constrained Case were also generated. One way these differential costs could be used is to inform the development of targeted EWR program costs (\$/kWh saved) moving forward.

HBPW worked with Black & Veatch to complete the IRP. B&V's presentation will summarize the findings of the IRP, but no immediate Board action is required.

*Recommendation: Study topic. No Board action required.*

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20.122 **Park Township and City of Holland Retail Water Agreement**

The retail water agreement was drafted to include all of Park Township customers that receive water from the HBPW Water Treatment Plant. It revokes and replaces five previous water-related agreements with Park Township that relate to water supply and service.

Under the agreement, 3,800 water customers in Park Township north of Lake Macatawa, will become new retail water customers of the HBPW, receiving the same rates and service levels provided to all HBPW customers. Park Township will continue to own its water distribution system and is free to extend it to add new customers. The regional collaboration imbedded in the agreement will improve service levels for all customers. The agreement includes the following terms:

- Establishes a new water transmission main route in Lakewood Blvd. for future expansion
- Continues guaranteed zoning and approvals for treatment plant expansion
- Limits new large customers and agricultural use
- Park Township releases its ownership of the trunk main that was installed under a federal grant in 1978
- Park Township pays \$900,000 (\$180,000 per year for five years) to create system equity and fund the initial cost of a meter change-out project
- Establishes a 30-year term with automatic renewals unless a five year advance notice is given to terminate
- Park Township releases rights to an escrow fund valued at approximately \$350,000 for previous contributions toward the Rosenberg property
- HBPW upgrades or replaces existing customer meters

The benefits for the new Park Township customers include:

- Its water distribution system becomes the responsibility of a utility (HBPW) with expertise in water system management
- The water distribution will be planned for long-term sustainability with replacement and upgrades as part of the Holland water system
- New efficiencies will contain costs and stabilize rates
- Bill consolidation for many customers who are already HBPW electric customers
- Improved account information and access to customer services

Benefits to HBPW customers include:

- Additional revenue from an additional 3,800 customers to offset expenses
- Expenses will not increase proportionally due to economy of scale for overall decrease in cost per customer

The financial benefits to HBPW customers were carefully analyzed by Utility Financial Solutions, an independent utility financial consultant, which demonstrated the rate track is improved by 0.4% per year, or a total 9.7% improvement in rates by the year 2038.

Following the anticipated approval of this agreement, HBPW staff will begin to transfer the new customers into its Customer Information System and the water distribution system records into its geographic information system, design and purchase additional Advanced Meter Infrastructure equipment, and plan for the meter upgrades and replacements.

HBPW staff also intends to negotiate a contract with Holland Township to perform certain maintenance activities so to prevent an immediate staff expansion and to take advantage of the Holland Township maintenance staff proximity and system experience. Holland Township is also interested a contract with HBPW to bill the customers for their wastewater service.

*Recommendation: The Board of Directors approved the "Park Township and City of Holland Retail Water Agreement" with an effective date of July 1, 2020.*

<i>Motion to approve recommendation</i>	<i>Miller</i>
<i>Second</i>	<i>Haworth</i>
<i>Lilly</i>	<i>Y</i>
<i>Franz</i>	<i>Y</i>
<i>Miller</i>	<i>Y</i>
<i>Haworth</i>	<i>Y</i>
<i>Hemingway</i>	<i>Y</i>
<i>Passed</i>	<i>5/0</i>

20.123 **Revised FY 2021 Operating and Capital budget**

The Board approved the FY 2021 operating and capital budgets for Holland Board of Public Works at its regular meeting on March 9, 2020. Subsequent to that approval, two significant events occurred that require revisions to the FY 2021 budget. The events are the implementation of the Park Township Water Retail Agreement, and the COVID-19 pandemic which has caused capital project delays.

The Park Township Water Retail Agreement will add about 3,800 residential and commercial retail customers to the HBPW system. The revised FY 2021 budget for the Water Utility reflects the operating impact of the Agreement. In summary:

- Operating revenue will increase by \$1.3 million to \$12.3 million,
- Operating expense will increase by \$262 thousand to \$8.0 million,
- Non-operating revenue/expense will increase \$900 thousand to \$767 thousand. This increase is due to a \$900 thousand contribution to capital by Park Township to assist HBPW with water meter replacements.

Absorbing the Park retail water customers into the HBPW system triggered a review of current HBPW water rates. Staff determined that reducing the readiness to serve charge for 1" meters from \$25.66/month to \$22.00/month was prudent. This reduction is reflected in the revised operating budget.

FY 2021 capital expenditures for the Water Utility will increase \$1.4 million to \$6.1 million. Of this amount, \$1.2 million is for meter replacements and \$26k for service line replacements in Park Township. The remaining \$180 thousand is for water distribution projects budgeted in FY 2020 but delayed to FY 2021 due to scheduling issues created by COVID-19.

FY 2021 capital expenditures for Electric Production will increase \$110 thousand, \$80 thousand of which is for project work moved from FY 2020 to FY 2021 due to COVID-19.

FY 2021 capital expenditures for Electric Distribution will increase \$1.7 million, all for rescheduled FY 2020 projects except for:

- \$150 thousand scope change in the River Avenue 138kv Pole Relocation project,
- \$120 thousand related to bucket truck replacements,
- \$35 thousand for substation metering
- \$29 thousand additional for Magna building roof replacement,
- \$35 thousand for additional LED upgrades for streetlights,
- \$100 thousand for engineering south Holland 138 kv line relocation project,
- \$90 thousand for recloser replacements.

FY 2021 capital expenditures for Administration will increase \$300 thousand, all from deferring FY 2020 work on the new utility services building due to COVID-19.

Operating and capital budget detail are attached to this recommendation.

*Recommendation: The Board of Directors approved the revised Water Rate Schedule, Water Utility Budget, and revised Capital Budgets for Electric Production & Distribution, Water Distribution, and Administration for FY 2021.*

<i>Motion to approve recommendation</i>	<i>Miller</i>
<i>Second</i>	<i>Haworth</i>
<i>Lilly</i>	<i>Y</i>
<i>Franz</i>	<i>Y</i>
<i>Miller</i>	<i>Y</i>
<i>Haworth</i>	<i>Y</i>
<i>Hemingway</i>	<i>Y</i>
<i>Passed</i>	<i>5/0</i>

20.124 **COVID-19 Temporary Customer Policy Recommendations**

In order to assist our customers affected by the State Emergency Declaration and Governors Executive Orders put in place in response to the COVID-19 Pandemic, HBPW recommends the following temporary changes to our current policies.

Residential Customers

1. It is current HBPW policy to not shut off residential customers for non-payment between November 1 and April 15 each year. Staff recommends extending the non-shut off period for residential electric customers until the later of June 15 or until Executive Order 2020-21 referencing the closure of non-essential businesses is lifted (See Section 5.7.1 of the HBPW Electric Terms of Service). HBPW will also monitor the status of Executive Order 2020-28 regarding the shut off of Residential water customers and follow guidance provided by the State of Michigan. In any event, the staff recommends extending the non-shut off for water until at least June 15.
2. HBPW staff recommends pausing the implementation of late fees and interest on overdue bills for all Residential customers starting April 1, 2020, and until the non-shut off period for Electric customer's ends. For clarification, existing late fees and interest charges that were accrued prior to April 1, 2020 will remain on the balance due (See Section 8.4 of the HBPW Electric Terms of Service).

Commercial and Industrial Customers

1. HBPW staff recommends implementing a non-shut off period for Commercial and Industrial electric and water customers until the later of June 15 or until Executive Order 2020-21 is lifted.
2. HBPW staff recommends pausing the implementation of late fees and interest on overdue bills for Commercial and Industrial customers starting April 1, 2020, and until the non-shut off period referenced in #1 above ends. For clarification, existing late fees and interest charges that were accrued prior to April 1 will remain on the balance due.
3. HBPW staff recommends suspending the Minimum On-Peak Billing Demand for delivery and capacity charges for Rate M and K customers until the later of August 31, 2020, or until Executive Order 2020-21 is lifted.

HBPW encourages customers who cannot pay their monthly bill in full to call HBPW Customer Service (616-355-1500) to work with us to make payment arrangements to keep their balance due to a minimum. Customers can go to our website ([www.hollandbpw.com](http://www.hollandbpw.com)) for resources that may offer utility bill assistance. Low income assistance is available for residential customers who qualify.

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HBPW staff will continue to monitor the pandemic situation and actions taken to respond that could continue to affect our customers. If extensions to these policies are needed staff will bring future recommendations to the Board for approval.

*Recommendation: The Board of Directors approved recommended temporary changes in HBPW policies to assist customers challenged to pay their utility bills due to the effects of actions taken to combat the COVID-19 Pandemic.*

<i>Motion to approve recommendation</i>	<i>Haworth</i>
<i>Second</i>	<i>Miller</i>
<i>Lilly</i>	<i>Y</i>
<i>Franz</i>	<i>Y</i>
<i>Miller</i>	<i>Y</i>
<i>Haworth</i>	<i>Y</i>
<i>Hemingway</i>	<i>Y</i>
<i>Passed</i>	<i>5/0</i>

20.125 BOARD COMMENTS

*Our next scheduled meeting is a Study Session April 27. It is yet to be determined whether this meeting will be held. We will keep the public apprised of this decision and whether or not it will take place via teleconference.*

ADJOURNMENT

A motion to adjourn the meeting of *April 6, 2020*, was made by *Miller* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of April 6, 2020, adjourned at *6:53 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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