

REGULAR MEETING

The HBPW Board of Directors met
November 9, 2020
at 4:00 p.m.
Via Zoom Teleconference

Chair Hemingway called the meeting to order at 4:04 p.m.

Members Present: Tim Hemingway (Holland, MI), Diane Haworth (Holland, MI) arrived at 4:12, Sue Franz (Holland, MI), Paul Lilly (Holland, MI), P.J. Thompson (Holland, MI), City Council Liaison Nathan Bocks (Holland, MI), and Ex Officio Members Bob Shilander (Park Township, MI), and Keith Van Beek (Holland, MI)

Members Absent: None

Staff Present: Dave Koster, Janet Lemson, Ted Siler, Joel Davenport, Becky Lehman, Chuck Warren, Grant Koster, Pete Hoffswell, Steve Bruinsma, Jane Monroe, Chris Van Dokkumburg, Julie DeCook

21.087 Approval of Agenda

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

21.088 Board Minutes – Regular Meeting Minutes of October 12, 2020, and Special Meeting Minutes of October 26, 2020

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

Action on Consent items:

Motion to approve, accept, or adopt Consent Agenda items	<i>Lilly</i>
Second	<i>Thompson</i>
Hemingway	<i>Y</i>
Haworth	<i>No vote</i>
Franz	<i>Y</i>
Lilly	<i>Y</i>
Thompson	<i>Y</i>
Favor	<i>4</i>
Oppose	<i>0</i>

21.089 Communications from the Audience

No in-person comments were made at the meeting. We received seven public comments regarding climate change in our publiccomment@hollandbpbw.com e-mail box in the last 30 days.

Motion to approve public comments made by Lilly and seconded by Thompson. Motion passed 4/0

21.090 Major Project Update

For information only

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

21.091 **College Avenue Fiber Underground Project and South Holland Loop**

College Ave Underground

Electric Distribution has a FY21 reliability and aesthetics project to move the overhead electric circuit on College Avenue to underground from 12th Street to 24th Street. HBPW has fiber installed on the poles along College Avenue for multiple blocks. The original project for Broadband involved following Electric Distribution and moving the existing overhead fiber to underground and installing additional fiber in the remaining blocks along College Avenue. As part of this project, Electric Distribution will also have to install underground circuits to the east and west backlot overhead lines along College Avenue. Broadband proposes expanding the current project to include the installation of handholes and fiber conduits to the backlot lines in preparation for future expansion. The fiber cables to the back lots would not be installed until such a time as a decision is made on a cost recovery model for Broadband expansion.

This installation of conduit is approximately 10% of the total cost to install the fiber passings in this area, with the potential to reach 482 customers. At a 30% take rate, we estimate a positive IRR in year five if expansion proceeds in the future. Broadband expects there to be demand for service in this area and an opportunity for GPON expansion using different cost recovery models.

The original budget for the College Avenue underground project is \$26,800. The installation of handholes and conduits to the backlot overhead lines is an estimated additional cost of \$43,200.

South Holland Loop

A recent expansion of the Broadband network down Interchange Drive to serve the new Perrigo warehouse buildings has opened up an opportunity to cost effectively loop the south Holland Broadband network for reliability purposes. Building a short connector from Interchange Drive, under I-196 to E. 64th Street, would loop the network and add reliability. The original planning for this loop connection was to follow the new 138kV South Holland electric loop installation that is in the early stages of engineering. This would be a much longer installation of fiber with a higher cost. The shorter connection under I-196 can accomplish the same goal at a more affordable price. The budget estimate for this project is \$10,000.

Recommendation: The Board of Directors approved a budget change to eliminate the FY21 capital project for expansion of Broadband distribution on 16th, Waverly, and Country Club in the amount of \$75,000 and transfer the budgeted funds to the College Avenue expansion and the south Holland loop project in the following amounts:

College Avenue = \$60,000 (new budget = \$75,000) South Holland Loop = \$15,000 (unbudgeted)

<i>Motion to approve recommendation</i>	<i>Franz</i>
<i>Second</i>	<i>Haworth</i>
<i>Hemingway</i>	<i>Y</i>
<i>Haworth</i>	<i>Y</i>
<i>Franz</i>	<i>Y</i>
<i>Lilly</i>	<i>Y</i>
<i>Thompson</i>	<i>Y</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

21.092 **Unit 12 Steam Turbine Long Term Program**

The combustion turbines, Units 10 and 11, at HEP are covered by a long term service agreement with Siemens Energy, formally referred to as a Long Term Program (LTP). This LTP covers planned maintenance inspections and overhauls through the second C Inspection (major overhaul) on the combustion turbines, which is tentatively planned for 2032. The steam turbine, Unit 12, at HEP is not

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

currently covered by the LTP and is due for its first minor overhaul in May 2021. In preparation for this minor overhaul, options investigated included a change order (CO) to the existing Siemens Energy LTP that would cover the steam turbine generator maintenance inspections and overhauls as well as an open market approach of bidding out each maintenance activity to Siemens Energy and other third-party contractors.

Siemens Energy proposed a CO to cover planned maintenance inspections and overhauls on Unit 12's steam turbine, gearbox, generator and auxiliary equipment through the end of the existing combustion turbine LTP. The proposed CO includes project management and labor to complete six borescope inspections, three minor overhauls and 1 major overhaul over the 12 years aligning with the expected remaining term of the combustion turbine LTP. Siemens Energy's open market maintenance schedule over the same period recommends five borescope inspections, three minor overhauls and two major overhauls. The LTP extends the intervals between minor and major overhauls from the open market recommended frequency of 25,000 equivalent operating hours (EOH) to about 33,000 EOH due to the inclusion of Remote Diagnostic Services (RDS) in the LTP. Siemens Energy RDS program receives daily run data from the unit's control system and reviews the data for failure indicators. Reports and recommendations will be sent to HEP staff when any of these indicators are identified. These are followed up with detailed performance reports and recommendations every quarter. The extended overhaul intervals also allow for Unit 12 overhauls to be scheduled at the same time as planned combustion turbine overhauls, thus reducing HEP downtime.

To evaluate the value of the proposed CO, budgetary quotes for maintenance overhauls were requested from a reputable third-party steam turbine contractor. The intent of the evaluation was to compare a Siemens Energy LTP against going to the open market for bids at each maintenance inspection/overhaul interval. Results of the evaluation are summarized in the table below.

	Siemens Energy	Open Market
Evaluated Cost * ** ***	\$ 8,175,000.00	\$ 7,848,588.40
Borescope / Minor / Major Inspections and Overhauls	6 / 3 / 1	5 / 3 / 2
Program Parts *	Included	Not Included + 17% mark-up
Outage Credit **	\$ 100,000.00 per minor and major	Not Included
Minor and Major Overhaul Schedule	Completed combustion turbine outages	Requires combustion turbine downtime
Minor and Major Overhaul Duration ***	14 and 24 days respectively	19 and 40 days respectively
RDS & Quarterly Reports	Included	Not Included
Contract Negotiations	Executed via Change Order to existing LTP	Re-negotiate at every maintenance inspection and overhaul

** Open Market evaluated cost includes estimate of program parts cost that are not included plus the 17% mark-up as indicated by the third-party contractor.*

*** Open Market evaluated cost includes \$100,000 per minor and major overhaul to compensate for outage credit that is not included.*

**** Open Market evaluated cost includes estimated 20% increase in overhaul costs due to extra labor costs to expedite overhauls to closer align with LTP overhaul duration.*

While the open market option cost was found to be approximately 4% lower than the proposed CO over the term of the agreement, this does not account for the difference in risk between the two

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

options. The proposed CO would guarantee that combined outage work (Units 10, 11, and 12) will be performed by one contractor. This reduces potential for HBPW to incur damages due to delays to one contractor that are caused by the other. The LTP schedule also reduces the number of HEP outages and outage timeframe, minimizing downtime, and associated market impacts that are estimated at approximately \$1,800 per hour or \$43,200 per day. These market impacts have the potential to create costs that far exceed the savings shown in the table between the CO and the open market alternative.

Siemens Energy submitted a CO proposal upon the request of the HBPW. The plan is to execute the Unit 12 LTP via Change Order to the existing Unit 10 and 11 LTP. This will provide consistency between LTPs and allow for previously negotiated terms and conditions of Units 10 and 11 to apply to the Unit 12 LTP.

The LTP cost will be paid over the term of the program. An initial fee of \$250,000 will be due at signing and a first year fee of \$1,300,000 will be invoiced in the first quarter of Fiscal Year 2021. In each subsequent year, there will be an annual fee of \$602,273 invoiced in four equal quarterly installments.

Recommendation: The Board of Directors approved a change order to the Siemens Energy Long Term Program (LTP) in the amount of \$8,175,000, pending approval as to form from the City Attorney.

<i>Motion to approve recommendation</i>	<i>Franz</i>
<i>Second</i>	<i>Lilly</i>
<i>Hemingway</i>	<i>Y</i>
<i>Haworth</i>	<i>Y</i>
<i>Franz</i>	<i>Y</i>
<i>Lilly</i>	<i>Y</i>
<i>Thompson</i>	<i>Y</i>
<i>Favor</i>	<i>5</i>
<i>Oppose</i>	<i>0</i>

21.093 **Kent Power Construction Services Agreement**

Holland BPW constructs and maintains the Electric Distribution system with both internal and contractual resources. Recently we have embarked upon a five-year plan to replace failing underground cables that were installed in the 1980's, along with the regular replacement plans for aging infrastructure. Capital plans also include conversion of circuits from overhead to underground and the usual tasks of building infrastructure for new developments. The last two years have been tremendous for customer growth, and we are unable to perform all the work required with our current staff. Contractors have been used multiple times over the past 20 years when planned workload exceeded our staff's ability to get it completed. The most recent example was with Hydaker-Wheatlake to assist with the cutout replacement project in 2017.

The BPW staff sent out requests for proposals to three local contractors with electric distribution construction experience, with two returning bids. Kent Power was the lowest evaluated bidder and ~17% lower than the competing bid for a line crew and equipment. These prices are by the hour and will be administered by HBPW staff. Materials will be provided by HBPW for these projects.

Recommendation: The Board of Directors approved a construction services agreement with Kent Power, Inc., pending City Attorney approval as to form, based on the unit pricing included in the attached agreement.

<i>Motion to approve recommendation</i>	<i>Haworth</i>
<i>Second</i>	<i>Lilly</i>
<i>Hemingway</i>	<i>Y</i>
<i>Haworth</i>	<i>Y</i>
<i>Franz</i>	<i>Y</i>

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

Lilly Y
Thompson Y
Favor 5
Oppose 0

21.094 **Comment from the General Manager**

- Our next meeting, a Study Session, is scheduled for November 23 and again will be held via Zoom Teleconference. We will be monitoring the planning policy for governance and will include five-year capital plans starting with Electric. We will also review Delegation Policies 1-5.
- The COVID-19 numbers in our area are not good. We have instituted daily health screening for all employees; there appears to be no spread going on inside the BPW. We remain diligent in that we are reinstating as well our limitation on only essential employees to our four facilities and those from companies performing urgent repair work.
- Our holiday light exchange is still planned to take place via a drive through event at the Holland Civic Center from 2-6 p.m. on November 17.

21.095 **Comments from the Board**

- Tuesday there will be another virtual meeting of Living Sustainably Along the Lakeshore that focuses on recycling. The event takes place from 6:30-8:00. Registration is through a link at the Herrick Library website

ADJOURNMENT

A motion to adjourn the meeting of *November 9, 2020*, was made by *Haworth* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of November 9, 2020, adjourned at *5:31p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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