

REGULAR MEETING

The HBPW Board of Directors met
May 9, 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, Carolyn Maalouf, Paul Lilly, Sue Franz, and Ex Officio Members Bob Shilander and Keith Van Beek

Members Absent: City Council Liaison Nathan Bocks

Staff Present: Dave Koster, Aleesa Hounshell, Ted Siler, Becky Lehman, Joel Davenport, Chuck Warren, Steve Bruinsma, Tracy York, Jon Hofman, Alex Craigmile, Julie DeCook, Phil Leerar, and Pieter Beyer

22.203 **Approval of Agenda**

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

22.204 **Board Minutes – Regular Meeting Minutes of April 11, 2022, Study Session Minutes of April 25, 2022**

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

22.205 **Insurance Claims Received During Q3 FY 2022**

For the quarter ended March 31, 2022, HBPW received two claims for damages. One claim was denied. The damage repair amount for the second claim has not yet been determined. Both claims are related to water services.

As part of the Consent Agenda, the Board of Directors accept for information the HBPW Insurance Claim Report for Q3 FY 2022.

22.206 **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>

22.207 **Communications from the Audience**

None

22.208 **Major Project Update**

For information only

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

22.209

City Council Resolution Allowing the Holland Board of Public Works to Adopt Regulatory Accounting for Certain Transactions

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 elect, with the permission of their regulator, to 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, under the GASB No. 62 standards, 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 competition, it is reasonable that cost-based rates can be charged and collected from customers.

The Holland City Charter provisions meet the above GASB 62 criteria:

- Section 12.17 clearly states the City Council approves the customer rates developed by the Board of Public Works,
- Sections 12.8 and 12.9 require that the utility operating and capital costs budgets be presented to City Council for approval
- Section 12.11 states the utility expenses are to be recovered through utility revenues.

By extension, since utility revenues are primarily received from utility customers through rates, the regulated rates are designed to recover the costs of providing the regulated services or products.

Recommendation: The Board of Directors approved and forwarded to City Council for its adoption the attached resolution permitting the Holland Board of Public Works to use regulatory accounting for certain transactions, in order to align revenues or expenses to expected rate recovery from customers.

<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>

22.210

Pre-Demolition Bid Support for JDY and Unit 6 Structures

As there are numerous environmental issues, regulations, and requirements that will need to be addressed when deconstructing these facilities, HBPW staff have concluded that having a firm such as ERM manage the demolition will provide the most cost effective and risk-adverse approach to dealing with this property. ERM has managed demolition projects on environmentally impaired projects for over twenty years and will bring their experience and expertise to bear on this complex project.

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ERM has completed several projects at the James De Young (JDY) site since its closure including Phase 1 and 2 environmental surveys, a regulated building material survey, and removal of impacted soils identified in the Phase 2 survey. ERM is also actively working on similar evaluations of the Unit 6 site which is scheduled to come off-line at the end of May 2023. They are very familiar with the two sites as well as the standards and expectations of the HBPW. This contract will cover services up to the bidding and recommendation of the actual demolition of the structures at JDY and Unit 6 (71 East 6th Street). Similar timelines for the demolition at both sites should allow for cost savings and fewer mobilizations.

Recommendation: The Board of Directors approved a professional services contract with Environmental Resources Management (ERM), in the amount of \$66,000, with a 15% contingency for a total of \$75,900, pending approval as to form from the City Attorney.

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

22.211

East Point Substation 138 kV Breaker, 138 kV Circuit Switcher, and 15 kV Breaker Purchase

The Electric Distribution FY2023 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 four (4) 138 kV loop breakers, three (3) 138 kV circuit switchers for the three transformers, and eight (8) 15 kV Breakers. 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 equipment soon to ensure that the build schedule is met. Waiting until the FY2023 budget year to place an order will potentially delay the delivery of these breakers and impact the planned completion date for the project.

Bid results for this equipment are shown below.

Breaker Bidder	Type	Bid Amount	Meets Specifications	Previous Contracts
Meiden	Vacuum	\$570,000	Yes	No
Siemens	SF6	\$242,680	Yes	Yes
S&C		No Bid		

Circuit Switcher Bidder	Type	Bid Amount	Meets Specifications	Previous Contracts
Meiden		No Bid		
Siemens	SF6	\$155,916	Yes	Yes
S&C	SF6	\$242,065	Yes	Yes

15kV Breaker Bidder	Type	Bid Amount	Meets Specifications	Previous Contracts
Siemens	Vacuum	\$319,520	Yes	Yes

The staff has evaluated the proposals for these breakers and circuit switchers and has determined that Siemens was the lowest evaluated bidder in all three categories of breakers. The Staff is very familiar with the Siemens products as they have been a standard in our substations for a number of years.

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Recommendation: The Board of Directors approved an amendment to the FY22 capital budget, as well as purchase order in the amount of \$718,116 plus a 5% contingency of \$35,000, for a total of \$753,116, with Siemens Energy c/o CSI Utility Sales.

<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>

22.212 **Compensation Program Metrics and Update**

For information only

22.213 **General Manager Comments**

- Next Study Session on May 23rd, 2022 and Regular Meeting June 6th, 2022
- MPPA Stakeholders meeting on May 20th, 2022
- Holland City Fiber education session on May 16th at 7:00 pm at Herrick Library Auditorium

22.214 **Board Comments**

ADJOURNMENT

A motion to adjourn the meeting of *May 9, 2022* was made by *Maalouf* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of May 09, 2022, adjourned at *5:30 p.m.*

Minutes respectfully submitted by,

Aleesa Hounshell, Acting Secretary to the Board

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