

**REGULAR MEETING**

The HBPW Board of Directors met  
**December 12, 2022**  
at 4:00 p.m.  
625 Hastings Ave.  
Holland, Michigan

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

**Members Present:** PJ Thompson, Tim Hemingway, Paul Lilly, Carolyn Maalouf, Beth Snyder City Council Liaison Nathan Bocks, and Ex Officio Members Dave Couch and Keith Van Beek

**Members Absent:** None

**Staff Present:** Dave Koster, Janet Lemson, Ted Siler, Becky Lehman, Joel Davenport, Chuck Warren, Steve Bruinsma, Julie DeCook, Pieter Beyer, Mark Gipson, Grant Koster, Alex Craigmile, Chris Van Dokkumburg, Steve Bruinsma

23.110 **Approval of Agenda**

*Staff recommends removal of Items 6a from the Board today. Board Member Hemingway made a motion to approve the amended agenda. The motion was seconded by Board Member Lilly.*

23.111 **Board Minutes – Regular Meeting Minutes of November 7, 2022, and Special Meeting Minutes of November 28, 2022**

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

23.112 **Non-Rate Fees and Charges Update**

Non-rate fees and charges are reviewed by HBPW annually. Adjustments are typically required by changing business conditions. The current fees and charges were approved by the Board on December 6, 2021, for implementation on January 1, 2022.

The changes in the current schedule are highlighted in the attachment. Most of the changes are the result of an update to the MDOT Schedule C, Equipment Rental Rates, and from incremental changes in HBPW construction, material, and labor costs.

Trunkage and Assessments Charges (Page 7 of the attachment) are updated biennially, with the next update due for 2024.

*As part of the Consent Agenda, the Board of Directors approved the January 2023 Schedule of Fees and Charges.*

23.113 **Energy Risk Management Policy Revisions**

The Energy Risk Management policy was adopted September 16, 2013, and was last revised on October 12, 2020. Periodic reviews of the policy are needed to assure that it remains current and cohesive with our Strategic Plan, appropriately reflects HBPW's risk tolerance, provides the tools and authorities necessary to achieve the desired risk mitigation, and includes appropriate controls and oversight.

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HBPW's Risk Management Committee (RMC) recently reviewed the policy, and results of that review were discussed with the Board as part of the electric utility updates presented on November 28. Notable revisions to the policy can generally be described as follows:

1. Renewable Energy Credit (REC) Hedging Requirements – The recent sunset of Michigan's Public Act 295 eliminated State mandates relative to RECs. Revisions to the policy intend to clarify HBPW's REC retirement strategy in absence of the State mandate.
2. Volatile Fuel Market – The recent natural gas market has identified some limitations with the current policy that create increased risk during periods of high pricing volatility. In particular, current minimum and maximum hedge volumes leave the potential for a large volume exposure in a single hedging window. Revisions to the policy intend to smooth out the hedging requirements to reduce this exposure.
3. Market-Based Tariffs – The RMC wanted to recognize the potential for future market-based tariffs and the impact that could have on hedging requirements. In particular, the RMC wanted to make clear that no hedging is to be performed for any forecasted energy sales under a market-based tariff.

The new requirements for minimum energy hedging under #2 above are expected to trigger substantial hedging in some years in order to achieve initial compliance. Performing all of this hedging in a short time period creates the very risk that the modifications are hoping to correct. In order to reduce risk during transition to the new policy requirements, staff is also seeking a temporary waiver of compliance with the new minimum hedge volumes until June 30, 2024. This provides staff an 18-month period to layer in the hedges necessary to meet these new requirements.

*As part of the Consent Agenda, the Board of Directors adopted the revisions to HBPW Delegation Policy D015-1 Energy Risk Management. Also, provide staff until June 30, 2024, to achieve full compliance with the new minimum energy hedging requirements.*

23.114

**Spectrum Mid-America, LLC Pole Attachment Agreement**

Holland BPW Electric Distribution owns and maintains most utility poles in the HBPW service area. In general, third party entities such as cable companies, phone companies, and fiber internet service providers attach their equipment to existing HBPW utility poles; and in some cases, HBPW attaches power to third party poles. HBPW had numerous Pole Attachment Agreements that govern attachments and set attachment fees. The Board of Directors approved the termination of all pole attachment contracts in order move to a uniform contract for all companies, on March 11, 2019.

The previous pole attachment agreements were diverse in language, fees, and implementation methodologies. The contractual variations created ongoing challenges that negatively impacted the community. Some of the agreements did not have sufficient language to motivate attachers to perform their duties in a timely manner. This resulted in a number of old, shortened poles being co-located with brand new poles that HBPW elected to replace. These remaining old poles can be an aesthetic disturbance to the community, and at times, a safety concern. HBPW has worked with the communications companies that are attached to our poles, and most have agreed to the new standard contract. Spectrum Mid-America is the latest to come to agreement on the new pole attachment requirements.

The new agreements contain a number of improvements.

- Utilizes an industry standard rate calculation that makes the attachment rate equal for all companies that will be attaching to our poles.

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- Annually adjustable to reflect HBPW's investment in new poles and infrastructure where licensees gain a benefit.
- Includes timelines for attachment removals and transfers of communications equipment from old poles to replacement poles, which reduces the number of duplicate poles in the field.
- Allows for additional forms of cellular equipment to be mounted to HBPW poles, which is new for utilities and consistent with Michigan SB 637.

We have one remaining company that has not agreed to the terms of the new pole attachment agreement.

*As part of the Consent Agenda, the Board of Directors approve a pole attachment agreement with Spectrum Mid-America, LLC, subject to approval as to form by the City Attorney.*

**23.115 Utility Easement for 1081 Ottawa Beach Road, Holland**

In order to best serve the Electric Distribution area on the northwest side of our service territory (part of Park Township), a utility easement for underground electric lines from the property owner at 1081 Ottawa Beach Road has been granted. Holland BPW plans to relocate the overhead lines along Ottawa Beach Road from Pine Creek West to 152nd Avenue to an underground system. This easement is approximately 1,700 feet of the total 4,800-foot project and will allow for the underground lines and equipment to be located outside of the road right-of-way, mitigating the hazards of being near the road. This project is planned for 2024.

*As part of the Consent Agenda, the Board of Directors accepted a grant of utility easement with Melinda K. Fitzgerald, property owner of 1081 Ottawa Beach Road in Holland, pending approval as to form from the City Attorney.*

**23.116 Action on Consent items:**

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

**23.117 Communications from the Audience**

*None*

**23.118 Major Project Update**

*For information only*

*2022-12-12 US-31 Water Main Lining Project Closeout*

**23.119 Contract Award and Budget Amendment for WRF Electric Systems Upgrades Projects**

The WRF electrical system upgrades project is comprised of the Transformer 1 and 6 replacement and switchgear replacement projects. These were approved with a budget of \$80,000 and \$400,000 respectively. This budget was based on engineering estimates and quotes that took place in 2019-2020. Staff recently bid the work and received quotes from four qualified contractors. The pricing came in higher than expected during budgeting which necessitates the requested capital budget amendment.

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<b>Firm</b>	<b>Business Location</b>	<b>Base Proposal Price</b>	<b>Meets Requirements</b>
Parkway Electric	Holland, MI	\$468,510	Yes
Buist Electric	Byron Center, MI	\$512,930	Yes
Windemueller	Wayland, MI	\$609,870	Yes
DVT Electric	Wyoming, MI	\$523,000	Yes

To help with cost savings during these times, the HBPW utilized our existing Electric Distribution Department for cost saving activities. This included using transformers purchased through the yearly bulk purchase program for the project and using Electric Distribution conduit boring contractor negotiated prices for the new raceways between the switchgears and distribution circuits.

<b>Project Breakdown</b>	<b>Proposed Contract Amount</b>
Parkway	\$468,510*
Theka	\$31,612**
Transformers	\$58,603***
Conduit (Utility)	\$25,000****
Sub-Total	\$583,725
Contingency (5%)	\$31,275
Proposed Budget	\$615,000
Approved Budget	\$480,000
Proposed Budget Transfer Amount	\$135,000

\*Includes Selected Bid Allowances. Note that this price may be lower as allowances are used.

\*\*Contract Previously Approved

\*\*\*Utilizing Transformers purchased through Electric Distributions fiscal year bulk purchase

\*\*\*\*Utilizing Electric Distribution yearly electric and fiber construction services (Utility)

The project is intended to modify the electrical distribution scheme of the Water Reclamation Facility. The modifications include replacing the facility's main utility-fed 15kV switchgear (west), replacing an ancillary 15kV switchgear (east) with a backup utility fed switchgear, connecting both

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switchgears to the utility metering cabinets, replacement of three transformers (T-1, T-3, and T-6), and installing fiber optic cable between the new switchgears and communications room.

The variance between budget and bid price is attributed to inflation and supply chain issues. It is recommended that the project move forward as if the switchgear fails, the plant electricity feed will be interrupted causing catastrophic process failure. It is also expected that labor and material costs will continue to increase in the future, and any delay in project implementation will incur additional costs.

There is currently money available in the Equipment Replacement Fund (ERF) to complete this work (Projected \$4,144,000 at end of Fiscal Year [FY] 2023 including this project). The recommended budget transfer was approved by the Administrative Committee November 15, 2022.

*Recommendation: The Board of Directors approved a contract with Parkway Electric in the amount of \$468,510, with a 5% contingency of \$23,430, for a total of \$491,940 pending approval as to form from the City Attorney. Also approve an amendment to the FY 23 WRF capital budget of \$135,000 for an overall project budget of \$615,000.*

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

23.120

**Unit 9 Winter 2024 Outage Services**

There are currently no funds budgeted for this project in FY 2023. Funds were to be budgeted and used in FY 2024; but because of the current 36-week lead time on control system components, the project kickoff needs to occur in FY 2023 to meet the current tentative schedule. The total FY 2024 project budget is \$3,600,000 for the control system upgrade, combustion inspection, and generator field rewind.

Unit 9 is currently equipped with the GEII Speedtronic Mark V Control System (Mark V) that came with the unit when originally commissioned in 2000. The processors, chips, and electronics in control systems degrade over time and can suddenly fail causing unplanned outages. The Mark V system is obsolete; and GEII no longer supplies new components, forcing the BPW to rely on third-party suppliers for used parts or to make repairs. This project would remove the existing control hardware and replace it with new hardware and associated new software. GEII has proposed replacing the existing Mark V turbine-generator control system and EX2000 excitation control system with a Mark VIe and EX2100e control systems respectively. The contract will also include operational and maintenance training for Electric Production personnel following the upgrade. This upgrade will improve reliability and maintainability of the control system thanks to readily available new components and new system capabilities.

The second scope included as part of the project is a combustion inspection of Unit 9. Unit 9 is a GEII Model MS7001EA combustion turbine-generator and will be due for its next recommended combustion inspection by winter 2024. The combustion section of the turbine is exposed to extremely high temperatures during operation and experiences large thermal swings between operating and being on standby, which degrades and wears components. Over time, these components lose their thermal protective coatings, form cracks, and can even warp. Periodic inspections and repairs are recommended to allow the turbine to continue safe and efficient operation. The inspection scope includes disassembly of the combustion section components so they can be sent offsite to a turbine repair facility for further inspections, repairs, and testing before being shipped back to site for reinstallation.

The final scope of the project is Unit 9's generator field (rotor) rewind. In May of 2021, GEII was contracted to complete a periodic inspection and electrical testing on Unit 9's generator. The resulting recommendation was, "field is suitable for service based on electrical test results, but

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we (GEII) recommend a rewind on the next outage due to contamination and apparent surface rust in subslots." This scope includes disassembly of the generator compartment to allow the removal of the generator field which will be sent to a generator repair facility. At the facility, the generator field's copper coils will be removed so both the coils and field can be cleaned and inspected. The copper coils will be rewound onto the field, inspected, and tested before being shipped back to site for reinstallation. This is the first time the generator field will be removed from the unit since commissioning. While the field is removed from the generator, the stator will be getting new wedges and additional tests and inspections will be conducted on the stator and exciter.

GEII's proposal includes supervision, labor, materials, and expertise to complete the three scopes within the same outage. The requested contract includes base bid costs as well as the cost for medium level repairs to combustion components, an option to make the control system a triple-modular-redundancy system, and the addition of a historian to the control system. The requested contingency is meant for additional repair costs to combustion components and generator and support services as well as additional control system options that may be selected.

Holland BPW will be responsible for supplying some supporting services which will be covered by remaining funds in the project budget. The outage is tentatively scheduled to start in January or February of 2024 and aims to be done by Memorial Day 2024, making the unit available for summer operations.

Proposals were requested from three contractors that Electric Production staff were confident in their ability to complete the project. The evaluated results from the bids are summarized in the table below:

<b>Bidder Name</b>	<b>Business Location</b>	<b>Evaluated Bid Amount*</b>	<b>Previous Contracts</b>
General Electric International, Inc. (GEII)	Atlanta, GA	\$ 2,988,225.30	YES
Mechanical Dynamics & Analysis LLC (MD&A)	Latham, NY	\$ 3,885,894.58	NO
EthosEnergy Power Plant Services, LLC	Houston, TX	Disqualified – Failed to Bid on Time	NO

\*Evaluated Bid Amount includes additions to and deducts from GEII and MD&A bid scopes to give a more comparative bid cost.

*Recommendation: The Board of Directors approved a contract with General Electric International, Inc. (GEII) in the amount of \$2,616,355.50, with a contingency of \$583,644.50 for a total of \$3,200,000, pending approval as to form from the City Attorney. In addition, approve an amendment to the FY 2023 EP capital budget of \$3,600,000.*

*Motion to approve recommendation                          Lilly  
Second    Hemingway  
Favor    5  
Oppose    0*

**23.121          Country Club Engineering Services Additional Expense**

**Country Club Engineering Services Change Order**

The HBPW Board approved a contract with Holland Engineering in the amount of \$214,500, with a contingency of \$21,450, to design and inspect the Country Club Road reconstruction project. The project was originally focused on water main replacement; however, during the design of the

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project, the City Transportation Department identified the need for significant additional length of large diameter storm sewer and re-grading of the road. Incorporating this work into the project resulted in \$18,000 in additional design services and \$25,500 in additional inspection services. Upon balancing of all work completed by the engineer, this resulted in a final additional expense of \$36,300.

Since the resulting \$36,300 change order exceeds the previously approved contingency amount, an increase in the contingency is being brought to the Board for approval. The additional cost will be split between the City and HBPW according to the cost-sharing ratios that will be finalized during the construction project closeout.

Legion Park & Birchwood Avenue Savings

Holland Engineering also completed the design and inspection of the Legion Park Drive and Birchwood Avenue water main replacements. These replacements were constructed by the same contractor (Milbocker) as the Country Club project via a change order to their Country Club contract. Holland Engineering was issued a separate contract in the amount of \$170,100 for their design and inspection of this work. Since the contractor performed the Legion Park/Birchwood work as a single project together with the Country Club project, significant efficiencies were achieved for the engineer that are anticipated to result in savings of \$50-60K. These savings offset the additional expenditures requested in this recommendation for the Country Club project.

*Recommendation: The Board of Directors approved an increase to contract contingency for Holland Engineering in the amount of \$14,850, increasing the approved amount for their engineering services contract from \$235,950 to \$250,800*

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

23.122 **Pine Avenue Reconstruction Engineering Services Additional Expense**

The Board approved a Contract with Wightman on July 12, 2021, for \$429,425 with a contingency of \$42,942. During the course of the design and construction of the project, the City and HBPW requested additional services from Wightman that exceeded this contingency amount.

The additional work included design services to add 22nd Street from Michigan Avenue to Washington Avenue to the project to address hydraulics and reliability for water service to the Aquatic Center. This work was included in the construction bid but was not completed due to unfavorable bid pricing. The cost of this design work was \$15,380. Although it was not constructed, the resulting design is still good and will be used during future reconstruction of 22nd Street.

Wightman also incurred additional construction inspection field time beyond the originally scoped services due to supply chain delays. The project was intended to be staffed by a single inspector; however, initial delays in the delivery of the 24" water main resulted in overlapping utility work efforts. Phases of the project that were originally scheduled to be separate efforts occurred simultaneously. This required employment of a second inspector to monitor the multiple active areas on the project. The cost of this additional inspection work was \$59,400.

Since the \$74,780 total of this change order exceeds the previously approved contingency amount, additional approved contract contingency is required. The additional cost will be split between the City and HBPW according to the cost-sharing ratios to be finalized during the construction project closeout in January.

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*Recommendation: The Board of Directors approved an increase in contract contingency for the Wightman and Associates contract in the amount of \$31,838, increasing the approved value of their engineering services contract from a total of \$472,367 to \$504,205.*

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

23.123                      **Closed Door Session**

- **Review Trial and Settlement Strategy With the City’s Attorney**  
**Re: City v HDC Real Estate Holdings, LLC Condemnation Proceedings**
- **Periodic Performance Evaluation of the General Manager (Action to Follow)**

Motion to enter Closed Session @ *5:02* p.m.                      *<Name>*  
Made by    Hemingway                      *<Name>*  
Second:    Maalouf  
Favor    5  
Oppose    0

*ROLL CALL: Maalouf, Thompson, Lilly, Snyder, Hemingway*

Motion to re-enter Open Session @ *5:56* p.m.                      *<Name>*  
Made by    Hemingway                      *<Name>*  
Second    Snyder  
Favor    5                                      *<#>*  
Oppose    0                                      *<#>*

23.124                      **General Manager’s Periodic Performance Evaluation**

Chair Thompson reviewed the results of the General Manager’s performance review and his recommendation for compensation adjustments. A motion to adopt the recommendation of the Chair was made by *Lilly* and supported by *Maalouf*.

Favor    5  
Oppose    0

23.125                      **General Manager Comments**

- Next Monday, December 19, will be our Study Session.
- GM is coordinating tours with Dave Couch to get him up to speed; other BOD members may join

23.126                      **Board Comments**

- Still need to fill a position for the WSAC as we’ve not received any suggestions.

**ADJOURNMENT**

A motion to adjourn the meeting of *December 12, 2022*, was made by *Hemingway* supported by *Snyder* and agreed upon by the Board of Directors present.

The Board Meeting of December 12, 2022, adjourned at *5:59 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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