

REGULAR MEETING

The HBPW Board of Directors met
February 6, 2023
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, Carolyn Maalouf, Beth Snyder, Paul Lilly, City Council Liaison Nathan Bocks, and Ex Officio Member Keith Van Beek

Members Absent: Dave Couch

Staff Present: Dave Koster, Janet Lemson, Joel Davenport, Chuck Warren, Becky Lehman, Ted Siler, Brian Ritchie, and Julie DeCook

23.156 **Approval of Agenda**

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

23.157 **Board Minutes – Regular Meeting Minutes of January 9, 2023, and Special Meeting Minutes of January 23, 2023**

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

23.158 **Budget Amendment to Reflect Adoption of GASB 62 Regulatory Accounting**

The HBPW Board of Directors approved adoption of regulatory accounting under GASB 62 at the June 6, 2022, Board Meeting. The adoption was after the operating and capital budget for FY 2023 had been prepared and adopted. Staff requests an amendment to the FY 2023 budget, specifically for the Wastewater utility, to more properly align the budget to expected (i.e., budgeted) operating results. The fiscal effect of the adoption of regulatory accounting could have been reasonably estimated at the time the FY 2023 budget was prepared and approved; therefore, this requested amendment to the budget is the result of the change in accounting principle, and not driven by unexpected operating results.

As shown on the attached budget summary, budgeted FY 2023 depreciation expense will decrease by \$472,380 and non-operating revenue will decrease by \$7,372,237. Under GASB 62, the non-operating revenue amounts are reclassified as deferred inflows. These deferred inflows are then amortized over the life of the corresponding asset(s), with the amortization reducing the depreciation expense associated with the assets acquired using the deferred grant and contributed revenues. This process results in customer rates being more closely aligned with the revenue requirements of the utility.

As part of the Consent Agenda, the Board of Directors approved the amended FY 2023 operating budget for the Wastewater utility.

23.159 **Southside & Scenic Shores Pump Station Rehabilitation Engineering Services**

In recent years, there have been several issues reoccurring at two water distribution pump stations,

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Southside and Scenic Shores. Southside Pump Station is one of the two primary pump stations that feed the elevated storage district, and the Scenic Shores pump station is a pump station which feeds a subdivision in Laketown Township.

The southside pump station is experiencing frequent control system failures, and the current pumping configuration creates pressure surges in the distribution system. The scenic shores pump station is experiencing frequent pump and motor failures and is of an outdated design that makes it challenging to meet fire flow demands. Both stations have pumps, electrical, and mechanical components that are beyond their design life. As a result, HBPW staff recommends both stations undergo extensive rehabilitation and improvements. An RFP for engineering services was issued to five (5) potential consultants. Proposals were received from two (2) of those. The proposals are summarized below:

2023 Southside & Scenic Shores Pump Station RFP Pricing

Consultant	Price
Prein & Newhof	\$254,400
Fleis & Vandenbrink	\$355,000

Both consultants understood the scope of work and provided competitive pricing. Prein & Newhof (P&N) has proposed a knowledgeable and experienced team for the design and has experience working with HBPW on similar projects, such as the Spyglass Pump Station constructed six years ago. Based on discussions, staff is comfortable recommending Prein & Newhof for our Southside & Scenic Shores pump station engineering services.

Due to longer than usual lead times, construction of the Southside Pump Station work may not take place until spring or fall of 2024. The scenic shores pump station construction will likely be shifted to 2025 to avoid the fiscal impact of overlapping large pump station projects within the same fiscal year. The cost for design services is budgeted for the current fiscal year (FY 2023); however, the construction cost is spread across FY 2024 and FY 2025. The budget for the Southside Pump Station rehabilitation is \$925K, and the budget for the Scenic Shores Pump Station rehabilitation is \$425K.

As part of the Consent Agenda, the Board of Directors approved a contract with Prein & Newhof in the amount of \$254,400, with a 10% contingency of \$25,440 for a total of \$279,840, pending approval as to form from the City Attorney

23.160 Action on Consent items:

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

23.161 **Communications from the Audience**

None

23.162 **Major Project Update**

For information only

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23.163 **Wastewater Lift Station SCADA System and IE&C Hardware Replacement**

The HBPW currently uses a Wonderware SCADA system for wastewater lift stations. The current implementation experiences a high number of nuisance and false alarms, missing alarms, and many of the user interface screens display incorrect or incomplete information. It was determined that the level of effort required to re-configure Wonderware to address these issues was equivalent to implementing a new SCADA system. Additionally, it has been determined through past assessments and inspections that much of the electrical, control, and communications hardware at many lift stations is at end of life and in need of replacement and standardization. To address these concerns a project is being undertaken for the reconfiguration of Wonderware or implementation of a new SCADA system, followed by replacement and standardization of electrical, control, and communication hardware at many lift stations.

To address the SCADA system part of the project, staff solicited qualifications and SCADA system proposals for either the re-configuration of Wonderware or implementation of a new SCADA system. Five proposals were received; however, two were eliminated based on inadequate understanding of the needs and lack of qualifications.

The three remaining candidates were interviewed to better understand their qualifications and the benefits of the SCADA system they proposed to implement. All three candidates advised against a re-configuration of Wonderware and instead proposed alternate SCADA systems. Two candidates proposed an 'Ignition' SCADA system, and the third proposed 'VT SCADA'. During the interview process, one of the candidates proposing Ignition conceded that they did not have much experience implementing the system and was eliminated from further consideration. This left two candidates shown below for consideration:

- UIS** - \$188,545 (VT SCADA)
- ATS** - \$226,900 (Ignition SCADA)

Staff ultimately selected UIS and VT SCADA as the preferred solution. VT SCADA is widely used in Michigan for lift stations and was designed with this purpose in mind. UIS also provided numerous references that spoke highly of the system and UIS. Ignition was originally designed as a manufacturing process SCADA system, and ATS was not able to provide references for lift station implementations. The scope of work provided by UIS also included an assessment of all lift station controls hardware and creation of recommendations for the replacement and standardization of the hardware.

The HBPW-approved budget for the SCADA system implementation and hardware replacement is \$1M. Award of the SCADA system work to UIS would leave ~ \$800K for the replacement of control hardware.

Recommendation: The Board of Directors approved a contract with Utilities Instrumentation Service (UIS) in the amount of \$188,545, with a 10% contingency of \$18,855 for a total of \$207,400, pending approval as to form from the City Attorney.

<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>

23.164 **Southwest Heights Water Main Replacement – Phase 1**

There are two core areas within the water distribution system that have experienced frequent water main breaks over the last several years. One of these areas is in the Holland Heights neighborhood where priority water main was replaced last calendar year. The other area is near Holland High School in a neighborhood formerly known as Southwest Heights. This area is proposed as a focus for water main replacement over the next 2-3 years.

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The Board approved a contract with Holland Engineering at the April 11, 2022, meeting for the engineering and design of the replacement of all water mains in the Southwest Heights neighborhood. The design included the entire neighborhood, which totals 8,000 feet of water main replacement; however for construction, the work is split into two phases, with 5,000 feet of the total to be constructed with the proposed project in calendar year 2023.

The project was competitively bid, and four (4) bids were received. Below are the results of the bid opening:

28th & Wildwood WM Replacement - 12/21/2022 Bid Opening			
<u>Contractor</u>	<u>Schedule Y/N</u>	<u>Total Cost</u>	<u>Bid Alternate (Ductile)</u>
Schippers	Y	\$ 3,417,167.50	\$ 3,497,167.50
Milbocker	Y	\$ 3,459,654.47	\$ 3,536,654.47
Wyoming	Y	\$ 3,533,046.00	\$ 3,623,173.35
AI's	Y	\$ 3,594,083.75	\$ 3,665,964.75

Based on the bids received, Schipper’s Excavating was the lowest bid. After a review of their bid and qualifications, HBPW staff recommends the work be awarded to Schipper’s Excavating.

This project includes shared costs with the City of Holland Transportation Department to address drainage and roadway improvements. The project scope has increased from the original plan due to coordination of the work with roadway improvement needs in Van Raalte Avenue and the addition of storm sewer replacement needs. Approximately \$1.9M of the \$3.4M bid price is the HBPW’s responsibility.

The approved FY 2023 HBPW capital budget for this project is \$1.05M. The FY 2024 capital forecast included an additional \$1.5M for corroded water main replacement in high priority neighborhoods. Staff requests a budget amendment for FY 2023 in the amount of \$1.15M to capture the forecasted budget in the current fiscal year project to address the increased construction scope as well as associated design and inspection services with Holland Engineering Inc.

Recommendation: The Board of Directors approved a contract with Schipper's Excavating, Inc., for the 28th & Wildwood Water Main Replacement Project, in the amount of \$3,417,168 with a 10% contingency of \$341,717 for a total of \$3,758,885, pending approval as to form from the City Attorney. Approve a FY 2023 capital budget amendment of \$1,150,000 to meet the required \$2,200,000 HBPW portion of the project.

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

23.165 Battery Energy Storage Systems Capacity Purchase Authorization

HBPW is required by the Midcontinent Independent System Operator (MISO) and Michigan Public Service Commission (MPSC) to annually demonstrate that it has sufficient generation capacity to meet maximum system demand and a MISO calculated reserve margin. In recent years, HBPW’s power resource portfolio has had more than sufficient resources to demonstrate compliance. In fact, since the addition of Holland Energy Park, HBPW has had a surplus of capacity that could then be sold to other electric providers that are deficient on capacity via bilateral transactions or MISO’s annual resource adequacy auction.

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With large load growth expected due to expansion of a major customer and the upcoming retirement of Unit 6 and Campbell #3, HBPW's capacity surplus is expected to dramatically shrink over the next 2-3 years. Depending on the actual demand growth created by the large customer's expansion, it is possible that HBPW could even have a small capacity deficit in future years. With this in mind, it is advantageous for HBPW to take advantage of cost effective additions of capacity like the BESS project.

While capacity is the only power attribute being purchased from the BESS project, it is not the only value to be received by MPPA and its members. The project will also allow MPPA and its members to gain information about the market operation of battery energy storage systems. In particular, MPPA expects to gain valuable insight into the dispatching of battery storage systems in order to maximize their value. This information can then be utilized to help optimize the performance of future energy storage systems installed by MPPA or its members.

Recommendation: The Board of Directors approved the signing of the Battery Energy Storage Systems (BESS) Power Purchase Commitment Authorization by HBPW's General Manager as part of the MPPA Energy Services Project.

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

23.166

General Manager Comments

- Our next meeting, a Study Session, is scheduled for February 27. Wastewater issues will be the main study topic. Financials from January are also on the agenda
- We've also scheduled Board Budget Subcommittee meetings for February 21 and February 28 follow up.
- Water affordability issues in the current administration—based on ability to pay
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ADJOURNMENT

A motion to adjourn the meeting of *February 6, 2023*, was made by *Hemingway* supported by *Lilly* and agreed upon by the Board of Directors present.

The Board Meeting of February 6, 2023, adjourned at *5:28 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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