

STUDY SESSION

The HBPW Board of Directors met
January 25, 2021
Via Zoom Teleconference
at 4:00 p.m.

Chair Hemingway called the meeting to order at 4:01 p.m.

Members Present: Tim Hemingway (Holland, MI), 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 Twp., MI) and Keith Van Beek (Holland, MI)

Members Absent: Diane Haworth

Staff Present: Dave Koster, Janet Lemson, Becky Lehman, Chuck Warren, Joel Davenport, Ted Siler, Pieter Beyer, Theo Van Aken, Tamara Black, Chris Van Dokkumburg, Julie De Cook, Tracy York

QUARTERLY UPDATES **FY2021 Financial Statements, YTD As of 12/31/2020**

21.139 During the past six months, HBPW operations were still being affected by the actions being undertaken to control the impact of the pandemic. A summary of operating results is below:

Electric (\$000)	Actual	Budget	Variance \$	Variance %
Revenue	55,399	55,689	(289)	(1%)
Operating Expense	35,721	38,316	2,595	7%
Operating Income	19,678	17,373	2,305	13%
Other Income/Expense	(6,602)	(5,394)	(1,208)	22%
Net Position	13,076	11,979	1,097	9%

Broadband (\$000)	Actual	Budget	Variance \$	Variance %
Revenue	902	844	58	7%
Operating Expense	774	772	(2)	0%
Operating Income	128	72	56	78%
Other Income/Expense	0	(2)	(2)	100%
Net Position	128	70	58	83%

Water (\$000)	Actual	Budget	Variance \$	Variance %
Revenue	7,073	7,053	20	0%
Operating Expense	3,701	4,331	630	15%
Operating Income	3,371	2,721	650	24%
Other Income/Expense	855	779	76	10%
Net Position	4,227	3,501	726	21%

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

Wastewater (\$000)	Actual	Budget	Variance \$	Variance %
Revenue	6,055	6,199	(144)	(2%)
Operating Expense	5,731	6,132	401	7%
Operating Income	324	67	257	386%
Other Income/Expense	67	(173)	240	(139%)
Net Position	391	(107)	498	(466%)

Quarterly report presented for BOD information only.

21.140 **Energy Risk Management (ERM) Performance Summary)**

As detailed in the attached report, under the ERM program, HBPW has natural gas purchase agreements in place for a total of 11,241,960 decatherms, at weighted average costs per decatherm ranging from \$2.10 - \$2.46, for fiscal years 2021-2025. The total cost of the agreements, when exercised, will be \$27,651,398 over the five-year period. This total cost is approximately \$1.2 million less than current futures market prices for the same quantities and periods.

Including energy resources under contract through MPPA, and the natural gas purchase agreements described above, HBPW has hedges in place as percentage of planned MWh dispatch, as follows:

- FY2021 87%
- FY2022 85%
- FY2023 73%
- FY2024 54%
- FY2025 41%

The natural gas hedges (purchase agreements) in place, as a percentage of planned natural gas burn, are:

- FY2021 79%
- FY2022 76%
- FY2023 59%
- FY2024 30%
- FY2025 10%

Charts showing the natural gas hedge transactions versus historical values for FY2021-FY2025 are also provided.

A structured objective approach for entering into natural gas hedges is required by the ERM Policy. The only value-based trigger so far this fiscal year was in October. No time-based triggers have been met.

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21.141 **FY2021 Second Quarter Key Performance Indicators (KPIs)**

The Board of Directors recently approved modifications to Governance Policy G002 Agenda Planning. As part of the policy update, Key Performance Indicators (KPI's) reporting was added as a quarterly agenda item. Further, KPI reporting supports the Results Policies that came out of the Strategic Planning process that concluded in 2020.

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21.142 **Communications from the Audience**

None

**STUDY
TOPICS**

Wastewater Utility Five-Year Capital Plan

21.143 The Water Utility capital plan for FY 2022-2026 will be presented with detail level information for production and distribution projects expected to cost more than \$100,000 each at a project level. Projected operating/non-operating cash flow summaries for the same five-year period will also be presented.

Study topic. No Board action required.

21.144 **Review of Delegation Policies D011 through D013-1**

Governance Policy G001 Governing Philosophy establishes the attributes of leadership and the specific practices that the Board intends to demonstrate. Through this policy, the Board Members are called upon to lead proactively and be faithful to the BPW's core purpose and core values. This policy further calls upon the Board to periodically evaluate and discuss its process and performance with respect to Governance and Delegation Policies. Delegation Policies were last reviewed in the 2008 Strategic Planning Process.

Through the Strategic Planning process, staff determined that some policies originally approved as Results Policies ("R" series) belonged instead in the Delegation series of policies. These former Results Policies will be reviewed and renumbered into the proper category.

This discussion focuses on Delegation Policies D011 – D013, and D013-1 (formerly R021).

Study topic. No Board action required.

21.145 **General Manager Comments**

- Our next meeting, a regular meeting, is scheduled for February 8. Heminway unable to attend, so Haworth will preside.
- The City Council advance took place last weekend. This is the annual meeting where Council lays out priorities for the forthcoming year. Relevant topics to the HBPW were Broadband and our continued work on the Community Energy Plan

21.146 **Board Comments**

- There was a very worthwhile article recently in Power Magazine regarding the power Plant in Monroe, MI. Perhaps this might be considered for a Board field trip in the future.

ADJOURNMENT

The Study Session of *January 25, 2021*, adjourned at *6:21 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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