

Board of Public Utilities

Regular Meeting Minutes

Monday, May 19, 2014
4:00 p.m., DPW Conference Room
1199 8th Avenue



1. Call to Order by Stickland at 4:00 p. m.

2. Roll Call

Present: Burr, Roberts, Stein (ex-officio), Winkel, Stickland
Rose (ex-officio) arrived 4:16 p.m.
Absent: Henry, Overhiser (ex-officio)

Also present: Wendy Hochstedler, Finance Director

3. Approval of Agenda

Motion by Burr, second by Winkel to approve the May 13, 2014 Agenda as presented.

All in favor. Motion carried.

4. Approval of Minutes – April 28, 2014

Motion by Burr, second by Roberts to approve the April 28, 2014 minutes as presented.

All in favor. Motion carried.

5. Interested Citizens in the Audience Will be Heard on Items Not on the Agenda

None at this time.

REPORTS

6. Cost of Energy from Indiana-Michigan Power Company (AEP)

- A. 2014 Billings – All Charges
- B. 2013 Billings – All Charges

7. Financial Reports

- A. Electric Fund – Financial Report for period ending April 30, 2014
- B. Electric Fund – Review of Percentage Billed

- C. Water Fund – Financial Report for period ending April 30, 2014
- D. Water Fund – Review of Percentage Billed
- E. Sewer Fund – Financial Report for period ending April 30, 2014

Electric Fund: Hochstedler reminded that there was a notation on the electric report that the board wanted to know why Other Operating Expenses and Administrative Expenses are higher than budget. Pointed out that the Administrative Expense is a GRP invoice for \$63,000; Administrative Expense would be less without the GRP invoice. In response to a question, Hochstedler noted that GRP is an engineering firm. Halberstadt noted that this expense should be moved to Account #558; this is simply an accounting error.

Regarding the charge for Employee Safety Program Service, that is part of the operating expenses and Tree Core expenses that are not usually included (\$50,000) plus GRP engineering invoices consisting of \$30,000.

In response to a question from Roberts, Burr said staff is getting ready to do a capital project; at this point Tree Core is just cutting on the back lot lines. Burr noted that it is hard to determine if it these are maintenance or capital expenses at this point. Halberstadt pointed out that it is partly a matter of training our employees to code the invoices correctly so accounting does not have to go back and re-code them.

Stickland said these should have been budgeted expenses to which Hochstedler responded that some of the expenses are new and were budgeted out of capital outlay. Mayor Burr's suggested that, in essence, these expenses are budgeted but in the wrong line at the moment. Hochstedler noted she has no concerns with what is charged there.

Roberts asked if the Year-To-Date items are for the current budget year. Hochstedler said that is correct and Stickland commented on Calendar Year versus Year-To-Date.

Halberstadt said we have a very good accounting system but the employees aren't really trained in how to charge things to the accounting system. Hochstedler said we are still lagging a little on project codes in the electric department, but water and sewer are using them correctly more and more.

Halberstadt explained what Hochstedler really does in these reports, the actuals are really more sophisticated than these reports indicate but staff is trying to summarize things for the reports. Hochstedler explained that the information is available more broken out but there are issues with getting those figures from electric department.

Discussion ensued regarding whether street lights are metered and how the city determines cost for street lights and recoups the cost.

Water Fund. Hochstedler noted a large amount was paid on the debt service.

Sewer Fund. Question by Roberts about why gallons do not show up anywhere on the sewer report. Stickland said sewer is billed by cubic feet; Hochstedler noted sewer charges are based on water usage. Roberts asked about the I&I numbers. Burr and Hochstedler spoke to the capacity of the pumps. Stickland noted that the he receives the daily reports; sewer levels vary based more on the weather than anything. Stickland suggested putting into a report the daily average and the daily peak. Halberstadt will work on some type of

general way to look at sewer usage and will confer with Stickland. Stickland noted that Mulac probably has the figures.

8. Utility Billing Procedures Report

Burr noted that we asked the auditors to make sure that when the money for unpaid utility debt is liened, the money flows back into the utility fund. Noted that compared to other utilities, the city writes off very little for unpaid utility bills. Discussion ensued regarding putting utilities on the property taxes; tax sale; and liens. Hochstedler noted that if the township lets her know when they have unpaid utility debt the city will reimburse (charge back) the township. Burr reiterated that the auditor report was to make sure that things were getting back to the correct account.

9. Unresolved Issues Report

Halberstadt noted he has not done anything with unresolved issues, mainly because there has been discussion about going through the full version of utility rules, regulations and policies. Staff is considering re-issuing the utility regulations in a more modern format.

NEW BUSINESS

10. Board will be requested to review electric rates for the 2014-2015 fiscal year.

Industrial electric rates were discussed, as well as why there was originally a two-step rate required in the old billing system and a difference of policy about using more and being charged less.

Halberstadt noted that the first step does not make any sense; Burr explained it was initiated simply to make the software work. It was set low to keep the industrial rates as low as possible. Back when we had all of those industrial customers, the Public Service Commission was subsidizing residential customers and that philosophy has been completely flipped.

There was discussion regarding demand meter customers. Stickland said our single-phase commercial rates are there for discussion only. Our rates are lower than public power. Stickland noted that Burr suggests we get rid of 5 mils. Burr explained we set the rate structure initially and we had left over a commercial customer who did not have a demand meter. Burr noted that the city has always considered dropping those commercial rates and have not done it. The whole philosophy for charging electric has changed now that businesses have the ability to purchase power from someone else. Burr pointed out that he noticed that Consumers has the same rate for residential and commercial customers, but has increased the monthly charge, with the thought that a utility has more equipment in those commercial facilities. Burr noted that when we do rates again we will probably want to change that monthly rate as well.

Roberts asked if the city identifies whether a customer is residential, commercial or industrial. Burr responded yes, pointing out that many utilities will consider a church the same as a residential. The City of South Haven did not used to but we do now.

Motion by Roberts, second by Winkel to reduce the commercial rate from 0.115 to 0.11 per kwh and to eliminate Step 1 in the industrial and municipal category and charge a fixed rate of \$0.0533.

All in favor. Motion carried.

11. Acting Public Works Director Comments

- A. Next Meeting is scheduled for June 30, 2014 which is the fifth Monday of the month.
- B. Update on Roger Huff.

Huff is coming along slowly with physical therapy, to rebuild muscles and nerves that were damaged. No idea when he will be coming back.

Roberts asked whether he will have to prove fit for duty; after discussion the board assumes that if Huff is on Workman's Compensation he will have to be fit for duty.

12. Board Member Comments

Winkel: Why are the street lights on North Beach and around the corner out for two nights in a row? Halberstadt will have that checked into.

Rose: Covert Township filed for a rehearing before the Michigan Tax Tribunal and Board of Appeals to refer everything back to the Michigan Tax Tribunal. Premise is that if the judge had all the information he may have made a better decision. Noted that all of the county entities, except Lake Michigan College, who receive compensation, have formed a cost-sharing group to help with the expenses. Rose hopes that once all this information is put together there will be a settlement; hope to bring that money back into the county. Explained why they are trying to get personal property taxes counted on the turbine block rather than the turbine alone.

Brief discussion regarding Palisades and decommissioning.

Rose said if anyone on the board wants to read the documents, they are no longer confidential now that the township has filed. Roberts asked whether she thinks the tax court will be punitive. Rose said they could be, which is why we framed it that if the judge had all the information he might have made a different decision.

Stickland said if it comes to fruition it will be good for the township. Rose responded that it will be good for the whole county, roads; schools; intermediate school district (ISD), sheriff's department.

Hochstedler asked why Lake Michigan College is not involved; Rose explained that they are approaching the Community College group.

Burr: Had a meeting with property owners regarding the tree trimming on back lot lines in preparation for the upgrades on the secondary. Expressed surprise that people are very cooperative due to fear that trees will fall on their houses.

Rose: Wonders what the impact will be on the electric fund due to Meijer's.

Stickland: Had our meeting with IMMUDA; the city's energy rate goes up but our demand charge goes down. The cost of power is going down.

13. Adjourn

Motion by Burr, second by Roberts to adjourn at 5:00 p.m.

All in favor. Motion carried.

RESPECTFULLY SUBMITTED,

Marsha Ransom
Recording Secretary