

REGULAR MEETING OF THE WATER AND LIGHT COMMISSION

April 23, 2009

**Draft**

Commission President Allwardt called the Regular Meeting of the Water and Light Commission to order at 7:30 A.M., with Commissioners Bob Fahrbach, Joe Guidote, and Don Merkes present on roll call. Also present were Carl Verhagen, Interim General Manager; Melanie Krause, Manager of Business Operations; and Dick Sturm, Manager of Steam Production.

In the absence of Commission Secretary Watson, Commission President Allwardt appointed Comm. Guidote as Acting Secretary for this meeting.

Item II. The motion by Comm. Fahrbach, seconded by Comm. Merkes was unanimously approved on roll call at 7:30 a.m. to convene into Closed Session pursuant to Section 19.85 (1) (g) of the Wisconsin Statutes for the purpose of conferring with legal counsel for the governmental body who is rendering oral or written advice concerning strategy to be adopted by the body with respect to litigation in which it is or is likely to become involved, and (e) of the Wisconsin Statutes for the purpose of deliberating or negotiating the purchasing of public properties, the investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session. RE: Potential Litigation and Steam Customer Contracts

At the conclusion of the discussion, the Commission adjourned from Closed Session and reconvened into Open Session of the Regular Meeting of the Water and Light Commission at 8:35 a.m.

Lonnie Pichler, Electric Distribution Supervisor; Dave Rodriguez, Customer and Utility Services Manager; Kristin Schalinski, Business Operations Accountant; Jerry Sturm, Water Plant Supervisor; John Teale, Technical Services Engineer; Chris Voigtlander, Energy Services Representative, and the Press joined the meeting.

Item III. People from the Gallery to be heard on any topic of public concern to the Utility.

Joanne Roush, 409 Cleveland, spoke regarding the timing of the recommendation from the strategic group, a breakdown of outside legal services, arbitration issues affecting utility financial statements.

Mary Nebel, 713 First Street, commented on the lack of a workout plan in the packet, and requested an update on repairs at Winz Park and painting of the water tower.

Mayor Merkes reported the agenda for Monday night's special Common Council meeting will recommend release of the Stern Brothers & Company Menasha Steam Utility Strategy Analysis Report.

Item IV. Motion made by Comm. Fahrbach, seconded by Comm. Guidote, was unanimous on roll call to approve the following:

- A. Minutes of the Regular Meeting of March 25, 2009.
- B. Minutes of the Closed Session (Personnel) of March 25, 2009.

- C. Approve and warrant payments summarized by checks dated April 2 - 23, 2009, which includes Net Payroll Voucher Checks, and Operation and Maintenance Voucher Checks for a total of \$1,090,804.17, and Operation and Maintenance Vouchers and Rebates to be paid prior to the next Regular Meeting. Motion approved unanimously on roll call.
- D. Correspondence, as listed.
  - Copy of draft minutes from March 20 MEUW Board of Directors meeting
  - Copy of News Release dated April 1, from WPPI Energy, re: Economic Impacts of Climate Change Legislation
  - Copy of letter dated April 14 from Interim GM Verhagen to Sandra Paske, Secretary to PSC, re: WE Boundary Agreement
  - Copy of letter to Menasha Residents from Mayor Merkes, re: Stormwater Utility
  - Copy of March/April 2009 Menasha Utilities Benefits Bulletin
  - Copy of Material Event Notice from Moody's Investors Service

Item V. March Financial and Operations Statement – Manager of Business Krause reviewed the electric income statement. The CP3 customers were down approximately 10% kilowatt hour wise overall from the prior year. One of the CP4 customers was down about 5%.

On the water statement, industrial consumption was lower, and chemical costs increased slightly from the budget.

The steam statement shows customers took less than in the past so consumption was less than budget, and reflect the arbitrator's pricing for Whiting Paper. We were not in the MISO market for the month of March because of unfavorable pricing.

After discussion, the Commission accepted the March Financial and Operations Statement as presented.

Item VI. Claims Against The Utility – Mrs. Krause stated a motion for a hearing regarding the Whiting arbitration was received.

The motion by Comm. Guidote, seconded by Comm. Fahrbach, was unanimously approved on roll call to recommend the Common Council oppose the motion of Whiting Paper to confirm the arbitration award.

Item VII. Purchase Orders over \$10,000.00 issued since the last Commission meeting were presented for informational purposes.

Discussion was held regarding P.O. 6583 to Valley Pump for the repair or replacement of the desuperheater pump at the Steam Plant. Manager of Steam Production reported on the difficulties experienced with this essential piece of equipment needed to maintain the steam delivery system, and requested latitude as to whether the pump would be repaired or replaced.

The motion by Comm. Fahrbach, seconded by Comm. Guidote, was unanimously approved on roll call to authorize a maximum of \$22,803 to be used for either the repair or the replacement of the desuperheater pump.

Item VIII. Unfinished Business, Telco Rate Recommendation – Technical Services Engineer Teale reported on the request to increase the existing internet and dark fiber rates which have not been adjusted since 2002. An increase would allow the Telecommunication Utility to still remain competitive, meet budget, and make debt payments to the Electric Utility. There are only three customers under contract for dark fiber, and the other customers are Menasha Utilities and the City of Menasha.

Interim General Manager Verhagen added with the current rates there will again be a deficit in 2009, and this clearly suggests there is a need to adjust the rates.

A discussion ensued regarding the length of the current contracts. Comm. Guidote suggested developing a form contract to use in the future, and that they are reviewed by legal counsel.

Comm. Allwardt added initially the Telco Utility was developed to provide internet for ourselves and the City; other customers were added to provide some additional revenue. It needs to be determined if the real benefit is the service it provides the Utility and City, or should it be a self-sustaining utility. The new proposed rates appear to be close to making it a self-sustaining utility.

Comm. Merkes asked about marketing this service and developing a strategic plan for the telecommunications business. Electric and Water Distribution Supervisor Pichler stated internet and dark fiber is offered to all new commercial customers when their services are installed.

It was the consensus of the Commission that no action be taken on the rate increases at this time, the contracts need to be reviewed and a strategic plan for the telecommunication utility developed.

Storm Water Update – Manager of Customer and Utility Services Rodriguez reported the listing from the City was received the end of March. Cycle 1 bills went out on April 15 and the stormwater utility billing went out at the same time. In response to the calls received, it was discovered the software used by the City was different than Utility software which resulted in some incorrect information. A letter from Mayor Merkes is being included with the stormwater billings.

Report of Water Plant UV Certification – Mr. Verhagen stated in order to complete the Water Plant project, the DNR needs to certify the UV system. The City of Neenah just recently completed their certification at a cost of approximately \$30,000 for engineering assistance to provide the data to the DNR in the proper format, and it was a two year process.

Even though there is not a structured format from the DNR, we are hoping our timing will be much shorter in order to free up the balance of the Safe Drinking Water Loan which is crucial to our current budget operation.

McMahon Associates has given an estimate of less than \$30,000 to provide the data to the DNR. They also assisted the City of Neenah with their certification. There is a current contract with McMahon to provide post-engineering services and this will be used to start the process.

Item IX. New Business, Depository Trust Agreements – Mrs. Krause reviewed the collateral agreement with Anchor Bank that would secure the money on deposit with them that exceeds the FDIC insurance. There is no additional cost to us, and the agreement would allow us to protect our assets.

The motion by Comm. Merkes, seconded by Comm. Guidote, was unanimously approved on roll call to authorize Mrs. Krause to sign the Depository Trust Agreements.

Water Plant Budget Item to Repair West Wall of High Lift Pump Clear Well – Mr. Verhagen stated a proposal had been received from a concrete masonry restoration company in the amount of \$30,000 to \$40,000. Our consultant was asked to look at this project from an engineering point of view, and a report has not been received yet. \$20,000 had been included in the Water budget for this project, but at this point in time the budget will not support it. When funds are available, and if the analysis of the process supports it, we can proceed with the project.

Water Plant Supervisor Jerry Sturm added another issue at Winz Park is that there is only one entrance/exit into the park. There is a 3' section of fence along the existing pump building that could be removed and a step put there to give a reasonable cost second entrance/exit.

Comm. Allwardt added the painting of the water tower is also deferred at this point in time. Mr. Sturm stated maintenance crews will be doing cleaning in the water tower this spring and will attempt to do a temporary touch-up in the blistered areas. Comm. Allwardt asked for a report back once the maintenance has been completed.

Item X. Project Reports, Third Street Water Main Project – Mr. Pichler reported the project is going well, and the contractor is ahead of schedule. The 100 year old cast iron main was in bad shape, and when uncovered caused 7 main breaks. All of the new water main has been installed, and there about 30 services left to finish.

Item X. Staff Reports, Interim General Manager – Mr. Verhagen stated the majority of his time has been spent with the Steam Team and the evaluation of the Steam Plant.

Electric and Water Distribution/Safety Report – Mr. Pichler commented on the poles purchased after last month's meeting. Bell Pole has a new program where they purchase used utility poles and refurbish them. The entire order of poles was changed to refurbished poles, resulting in a savings of \$8,000 on the purchase order, and it also saved about 45 trees. The refurbished poles are expected to have the same life expectancy as the new poles. There is another additional cost savings if we are able to supply used poles to Bell Pole.

The placement of induction lighting along Third Street was also discussed.

Steam Utility – In response to Comm. Allwardt's question about the coal purchase, Manager of Steam Production Dick Sturm stated the lake vessel had not left.

Comm. Fahrback asked about discussions with Dresser Rand concerning the long-term warranty; Mr. Sturm stated there were none at this time. The new oil filter vessels have not been received at this time. Governor and steam map adjustments will be made at a later date when the Dresser Rand engineer is available.

Comm. Fahrback also questioned the failing splices on the coal conveying system. Mr. Sturm reported one splice has been repaired, one is in the process of being repaired, and one additional Super Screw mechanical splice will be ordered to repair a third splice that is showing cracks. The splices and coal conveyor continue to be problematic.

Water Plant – Mr. Jerry Sturm stated staff is being diligent with chemicals at the plant, but they need to start adding carbon last month. They needed to start using potassium permanganate in April due to the water temperature and the zebra mussel population. Chemical costs will continue to increase, but they are feeding the minimal possible amounts.

Comm. Fahrbach asked about the status of a meeting with the PSC regarding a chemical cost adjustment; Mrs. Krause reported data had been submitted to the PSC and they recognized there is an impact on chemical costs for Lake Winnebago water users and are willing to have a discussion. We are looking to schedule a date for some time in May.

Telecommunications & Substations– there were no additional questions to the report presented.

Business Operations – Mrs. Krause added the loan was closed for the Third Street Water Main project.

Customer and Utility Services –Mr. Rodriguez reported there has been a 50% decrease in web credit payments. Customers were not pleased with the fee being charged and many have switched to using other online banking services for paying their bill.

Energy Services Representative/Key Accounts – there were no additional questions to the report presented.

Item XI. People from the Gallery to be heard on any items discussed at this Meeting.

Mary Nebel, 713 First Street, spoke about the repairs at Winz Park and the source of the problem. She commented the workout plan was not addressed.

Joanne Roush, 409 Cleveland, spoke about having a coherent communication plan related to the steam plant in the time going forward.

Item XII. The motion by Comm. Fahrbach, seconded by Comm. Guidote, was unanimously approved to adjourn at 10:30 a.m.

By: MARK L. ALLWARDT  
President

JOSEPH P. GUIDOTE  
Acting Secretary

NOTE: THESE MINUTES ARE NOT TO BE CONSIDERED OFFICIAL UNTIL ACTED UPON AT THE NEXT REGULAR MEETING, THEREFORE, ARE SUBJECT TO REVISION.

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