

REGULAR MEETING OF THE WATER AND LIGHT COMMISSION

July 22, 2009

Draft

Commission Vice President Fahrbach called the Regular Meeting of the Water and Light Commission to order at 7:30 A.M., with Commissioners Joe Guidote, Don Merkes, and Carla Watson present on roll call. Also present were Melanie Krause, Manager of Business Operations; Dick Sturm, Manager of Engineering and Operations; Steve Grenell, Project Engineer; Kristin Hubertus, Business Operations Accountant; Lonnie Pichler, Electric and Water Distribution Supervisor; Dave Rodriguez, Customer and Utility Services Manager; Jerry Sturm, Water Plant Supervisor; John Teale, Technical Services Engineer; Chris Voigtlander, Energy Services Representative, and the Press.

Item II. No one from the Gallery was heard on any topic of public concern to the Utility.

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

- A. Minutes of the Regular Meeting of June 24, 2009.
- B. Minutes of the Closed Session (Personnel) of June 24, 2009.
- C. Approve and warrant payments summarized by checks dated July 2 - 22, 2009, which includes Net Payroll Voucher Checks, Void O & M Check #037987, and Operation and Maintenance Voucher Checks for a total of \$1,156,005.47, 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 2009 MEUW Pillars of Public Power Awards and Safety Achievement Awards
 - Copy of Certificate and Authorization Regarding Material Event Notice effective April 27, 2009
 - Copy of minutes from June 13, 2008 MEUW Annual Meeting to be approved at 2009 Annual Meeting
 - Copy of letter dated June 24 to Menasha Utilities, from U.S. EPA, re: Major Project Performed at Menasha Municipal Power Plant
 - Copy of WI DNR Notice of Intent to Reissue a Wisconsin Pollutant Discharge Elimination System (WPDES) Permit No. WI-0027707-07-0 dated June 24, 2009
 - Copy of memorandum dated June 29 to WPPI Energy Member Managers from Tammy Freeman, re: Typical Bill Comparison Summary
 - Copy of Federal Legislation Update "Under The Dome" dated July 1, 2009
 - Copy of WPPI Benefit Plan Trust newsletter "Your Health From hire to retire" dated July 1, 2009
 - Copy of Certificate and Authorization Regarding Notice to Bondholders dated July 7 and 14, 2009

Item IV. June Financial and Operations Statement – Manager of Business Operations Krause reported consumption is down from prior years on the electric financial statement, and there was a very high PCAC for the month of June because of the demand.

On the water financial statement, again sales are down due to the economy, but the Town of Menasha is still taking more water. Water treatment costs are under budget, however, chemical costs still remain over budget.

The variance on the steam financials is due to the price compared to budget. The difference for Whiting is the prior month's correction based on arbitrator pricing. We were not in the MISO market for the month of June and this is offset by coal and chemical costs. The steam expenses are for the annual DNR emissions costs, and the miscellaneous general expenses are for the Whiting termination fee.

Comm. Guidote asked about the status of the coal supply. Manager of Engineering and Operations Sturm stated there is an informal agreement with DTE to supply coal as needed. Project Engineer Grenell added there is no formal contract, but if the plant runs into the winter months a contract will need to be negotiated. That decision will need to be made before mid-September in order to get delivery scheduled before the end of the shipping season. Comm. Fahrbach requested more detail and discussion at the August meeting.

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

Item V. Claims Against The Utility – there were no claims discussed at this meeting.

Item VI. There were no Purchase Orders over \$10,000.00 issued since the last Commission meeting.

Item VII. Unfinished Business, Telco Strategic Plan and Rate Recommendation – Technical Services Engineer reviewed the 2001 Business Plan. The goal of that plan was to better utilize the existing fiber optic network and develop cost effective services to benefit the combined utilities. Cable TV and telephone services were not considered as part of the plan due to high capital costs and investment. The Telecommunication Utility was initially set up to serve the City of Menasha and Menasha Utilities, and it was considered a break-even utility. Staff is reviewing current rates and existing customers to make sure every contract is properly invoiced. For the path forward, staff is requesting additional time to review the entire system, review the history and financials of the Telecommunication Utility, and investigate potential customers. Additional time is also being requested to do a thorough investigation and modeling, with a final business plan being completed mid-2010. Monthly reports will be issued to the Commission for review and input of the process.

From a budgeting standpoint, Mrs. Krause requested authorization to correct all customers not being billed for services provided under the current rate on internet and dark fiber. The Commission concurred this should be done as part of the 2010 budget process.

Proposed Steam Utility Closing Schedule Essential Items – Mr. Sturm gave an update on the decommissioning costs presented at the June meeting. The list was revised and hours cut while still maintaining acceptable engineering practices. Further reduction would come at pushing good engineering practices even farther. Two absolute essential safety items are the coal conveyor/building clean-up, and the GE lease in order to preserve the value of the plant for a six month period of time.

The Commission requested a revision date be added to the report, and asked staff to continue to review the list in order to reduce cost while still maintaining good engineering practices.

Electric and Water Rate Case Discussion – Mrs. Krause stated approval was given at the October 2008 Commission meeting to proceed with simplified electric and water rate cases. We were not qualified to file the water rate case as there was not a full year of history available at the time, and the electric rate case was not filed because the PSC was not willing to give approval earlier in the year for a PCAC roll-in.

Five staff members from the PSC Water Division visited this past week to discuss surface water treatment and the chemical impact.

Staff is requesting authorization to start the electric and water application processes and when the budget is complete in October the final numbers would be incorporated into the applications; WPPI Energy will help with the electric rate case. The applications with the rate impacts would be brought back to the Commission before they are filed.

The motion by Comm. Guidote, seconded by Comm. Watson was unanimously approved to proceed with the application process for both Electric and Water rate cases.

Item VIII. New Business, Fox Cities Groundwater Partnership – Mayor Merkes reviewed information from the Fox Communities Groundwater Partnership that discussed conservation of natural resources and the adoption of water conservation rate structures.

Mrs. Krause stated there was discussion with staff from the PSC earlier this week regarding an inverse rate schedule. Communities that have implemented this rate are ones that are either at, or close to, full capacity, or they have limited resources in the community. Their goal was not to have to build additional infrastructure. Staff from the PSC does not see a huge need for us to implement conservation rates because Menasha has plenty of source water. At this point the rate tariffs are just on residential customers, and commercial customers are not being pushed to conserve. The PSC does not have the experience at this time to indicate whether the rates are successful or not.

Mayor Merkes commented he thought this was the right thing to do for ourselves and future generations versus paying a few cents more each month. He did not feel there was much of a reward for customers to conserve water, and we were rewarding people for wasting water.

Manager of Customer and Utility Services Rodriguez added most residential customers do not exceed the first tier price for water unless they are filling swimming pools and watering lawns.

Comm. Guidote asked about the ratio of residential consumption compared to commercial, and what a reduction in water usage does to our fixed costs. Mrs. Krause answered approximately ¼ of the consumption is residential, and the companies that are using the bulk of the water are not the ones given the inverted rate tariff. In order to impact a community, the tariff would have to affect the entire community; there should be a bigger plan than just the inverted rate on residential customers. Secondly, a reduction in water usage would increase the fixed costs per customer.

Mr. Sturm added the conservation idea is a good idea, but we need to know all of the effects of the conservation both on the rate payer and on other seemingly unrelated items. We also need to review residential customer usage.

Mr. Rodriguez gave an update on a request to the PSC from Kaukauna Utilities to offer a rebate program for installation of low-flow toilets as a pilot program. Offering a specific program may have a more positive impact on a water rate case.

Comm. Fahrback asked for some of the residential customer usage information to be provided at the next meeting.

Solar Renewable Tariff – Mr. Rodriguez stated WPPI Energy was contacting member utilities to make a decision on implementing a solar buyback tariff as part of their renewable portfolio. Menasha Utilities will be responsible for metering and billing the customer based on the kilowatt hours produced and then invoice WPPI Energy for the amount of the solar production credit.

The motion by Comm. Watson, seconded by Comm. Guidote, was unanimous to approve WPPI Energy filing the Solar Renewable Energy Distributed Generation tariff on behalf of Menasha Utilities.

Manager of Engineering and Operations Sturm requested the Biomass Study agenda item be discussed at this time in order for Mr. Grenell to keep another appointment.

Biomass Study – Mr. Grenell reviewed the highlights of the reports included in the packet. Basically there is availability of wood fuel in the area but suppliers are not willing to guarantee the price. Our equipment would be able to handle a conversion, but there is no financial benefit to convert from PRB coal to wood. A private organization may be able to take advantage of tax credits and the cost of Green Electrical Power that could be purchased.

Staff is requesting authorization to investigate the second phase with State agencies to see if there are grant dollars available to do a financial analysis and determine the next steps, to see if this will help meet the State's 25 x 25 initiative, and to see if there is marketing assistance available. Mr. Sturm added a phase two study will put numbers to equipment needed and numbers to the value of the product produced by the biomass conversion. This study could also help market the facility to a potential buyer.

The motion by Comm. Guidote, seconded by Comm. Fahrbach, was unanimously approved to proceed with investigating the second phase contingent upon State grant funding. The Commission requested an update at the next meeting.

Mr. Grenell departed at 9:20 a.m.

Third Street Water Main Replacement Change Order No. 2 – Electric and Water Distribution Supervisor Pichler reviewed the adjustments that will be made to Change Order No. 2 included in the packet. The adjustments cover several items that are being removed due to modifications made in the field.

In reply to Comm. Fahrbach's question, this change order will result in the project being \$11,097 over the bid amount. Mrs. Krause added there are sufficient funds in the contingency for this project to cover the change orders.

The motion by Comm. Watson, seconded by Comm. Guidote was unanimously approved to recommend the Board of Public Works approve the amended change order and to forward the recommendation to the Common Council.

Item IX. Project Reports, Third Street Water Main Project – Mr. Pichler reported the walk through on the water main project is complete. Concrete will be poured starting July 27.

Item X. Staff Reports, Manager of Engineering and Operations/Steam Utility – Mr. Dick Sturm added soot blower erosion was discovered to the desuperheater tubes during the #4 boiler shutdown in July. Temporary repairs were made, and the boiler should be back in service by the end of the week.

Electric and Water Distribution/Safety Report – Mr. Pichler reported there are 9 hydrants to be replaced and these will be done as allowed within the budget. A small group from the Safety Committee will be meeting to review the general safety rules. A meeting was also held yesterday with the City Health Department to discuss potential joint programs.

Water Plant – Mr. Jerry Sturm stated the hypo chloride tank has been repaired, and he will be obtaining chemical cost quotations before the budget process.

Project Engineer, Telecommunications & Substations – there were no additional questions to the reports presented.

Business Operations – Mrs. Krause added there will be a meeting next week with the Department of Administration and the Department of Commerce as follow up to the biomass study.

Customer and Utility Services, Energy Services Representative/Key Accounts – there were no additional questions to the reports presented.

Item XI. No one from the Gallery was heard on any items discussed at this Meeting.

Item XII. The motion by Comm. Merkes, seconded by Comm. Watson, was unanimously approved on roll call at 9:48 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: Steam Customer Contracts and Potential Litigation

By: ROBERT H. FAHRBACH
Vice President

CARLA R. WATSON
Secretary

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