

REGULAR MEETING OF THE WATER AND LIGHT COMMISSION

June 24, 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 Melanie Krause, Manager of Business Operations; Steve Grenell, Project Engineer; Lonnie Pichler, Electric Distribution Supervisor; Dave Rodriguez, Customer and Utility Services Manager; Kristin Hubertus, Business Operations Accountant; Dick Sturm, Manager of Steam Production; Jerry Sturm, Water Plant Supervisor; and Chris Voigtlander, Energy Services Representative.

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

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

Mary Nebel, 713 First Street, spoke regarding a correspondence letter from Boardman Law Firm regarding Disparagement of PCI Settlement Agreement, and decommissioning of the Steam Plant.

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

- A. Minutes of the Regular Meeting of May 27, and the Special Meeting of June 9, 2009.
- B. Minutes of the Closed Session of May 27 (Personnel), 2009.
- C. Approve and warrant payments summarized by checks dated June 4 - 24, 2009, which includes Net Payroll Voucher Checks, and Operation and Maintenance Voucher Checks for a total of \$1,660,199.06, 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 proposed minutes from May 15 MEUW Board of Directors meeting

Copy of Summons in a Civil Case served May 28, 2009, re: Sierra Club V. City of Menasha

Copy of letter dated June 5 to Mayor Merkes, from James Dugan, President, Cavanaugh Capital Management, re: Bond Anticipation Notes

Copy of letter dated June 10 to Menasha Utilities, from WI Dept. of Commerce, re: Final Closure of Remediation Site

Copy of letter dated June 12 to James Bartzen, Boardman Law Firm, from Attorney Patrick Lubenow, Smith Amundson LLC, re: Disparagement of PCI Settlement Agreement

Copy of letter dated June 16 to Menasha Utilities from Nick & Becky Carlson, re: Rental Agreement 30 Day Notice

Copy of letter dated June 17 to Attorney Patrick Lubenow, Smith Amundson LLC, from Attorney Anita Gallucci, Boardman Law Firm, re: Disparagement of PCI Settlement Agreement

Comm. Allwardt asked about the correspondence item regarding the Sierra Club notice and the dates on the document. Manager of Business Operations stated the notice of claim was filed in February but it was not served and received until May 28, 2009.

Comm. Allwardt also commented on the correspondence from Attorney Gallucci, and reminded staff and Commissioners not to disparage PCI in any form.

Item IV. May Financial and Operations Statement – Mrs. Krause reported consumption was down approximately 6% from last year. The residential sales were also down and the electric distribution losses are being reviewed but are also attributed to the variance in the way power is purchased and the billing cycles.

The Town of Menasha continues to take more water than budgeted, and the water treatment costs have increased especially in the chemical area. Water Plant Supervisor Jerry Sturm added although water quality is good, staff is trying to maintain the lowest quantities of chemicals to help offset the increase in chemical prices.

On the Steam financials, Mrs. Krause reported the steam takes for steam customers were down approximately 15% besides the pricing variance. There were no MISO sales during the month, which is offset by coal, chemical, and power costs. Maintenance costs are down because it has been kept to a minimal based on the path moving forward. The outside services include environmental costs, customer dispute items, and the strategic team.

Comm. Allwardt noted the coal usage is less than expected because of only running one boiler, and asked about the coal supply in light of the unsure schedule. Project Engineer Grenell stated there is coal on the dock in Green Bay, and he will be meeting with the vendor later today.

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

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

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

Item VII. Unfinished Business, Storm Water Update – Manager of Customer and Utility Services Rodriguez reported the set-up for the billing has been finalized, and this would be a final report.

Personnel and Employee Transition Plan – Mrs. Krause stated revisions were made to the job descriptions as requested at the June 9 Special Commission meeting.

The motion by Comm. Merkes, seconded by Comm. Allwardt, was unanimous on roll call to approve the Manager of Engineering and Operations job description at the current salary structure.

Comm. Merkes made the motion to approve the revised Manager of Business Operations job description at the proposed salary range; Comm. Allwardt seconded the motion.

Comm. Allwardt stated these were dual leadership positions, and there is a large disparity in current salaries. Comm. Merkes commented this is a transition plan and may not be a permanent structure, and it was his opinion that an engineering position is not the same as an accounting position. He stated the salary range better blends with the City salary structure, and given the present financial situation it is difficult to justify going higher.

Comm. Guidote asked about the differences between the revised Manager of Business Operations job description and the current position. Mrs. Krause responded the role of General Manager was split between the two positions as well as supervising additional departments in addition to maintaining many of the duties of the current position.

Comm. Guidote made a motion to amend the previous motion to elevate salary of the Manager of Business Operations position to be equal to the salary approved for the Manager of Engineering and Operations position. Comm. Fahrback seconded the motion.

Manager of Steam Production Dick Sturm added the Manager of Business Operations position goes far beyond accounting. Interpreting accounting into business practices is a unique quality to the job and it far over weighs what one might consider accounting; it's the part that makes the business run.

On roll call, Comm. Allwardt, Fahrback, and Guidote voted aye to amend the salary range for the Manager of Business Operations position; Comm. Merkes voted no.

On roll call, Comm. Allwardt, Fahrback, and Guidote voted aye to approve the revised job description for the Manager of Business Operations position; Comm. Merkes voted no.

The motion by Comm. Merkes, seconded by Comm. Allwardt, was unanimously approved on roll call to accept the Project Engineer job description at the current salary range.

Comm. Allwardt asked about a date for the potential plant closure. Mayor Merkes stated after the bond holders meeting there was no set date as to when that might occur. Discussions are still being held with bond holders and steam customers. Mr. Sturm reported the July 3 closure date is no longer viable, and based on recent discussions with the bond holders and customers the facility will remain operating.

Mayor Merkes added that things have been moving quickly the past several days behind the scene and a joint closed session will be scheduled soon to bring both the Council and Commission up to date on recent discussions.

A discussion ensued regarding maintenance issues, State inspections, permits, etc. if the plant were to operate beyond September 1.

Item VIII. New Business, Proposed Steam Utility Closing Schedule – Mr. Sturm stated the information was prepared with the objective of putting the building in condition to preserve the value of the plant beyond a year. A question arises regarding the RO building and the expense involved. The RO system is under lease and options for terminating the lease will need to be

discussed if and when a termination notice is given. Some contractors have been onsite already and have been asked to submit estimates for demolition.

In light of pending Common Council action on the plant closure, Comm. Allwardt asked if some of the shutdown items could be started. Mr. Sturm replied staff has taken the opportunity to organize some of those items in order to save expense. He also stated they will review the draft closing schedule to see if the total hours can be revised, however, he is open to any direction the Commission may choose. The current draft plan preserves the value of the plant for the long term and potential interested parties.

For the next meeting, Comm. Allwardt asked for the absolute essential items that need to be done that will comply with industry standards best methods of closing the plant. We have to make sure we are prudent with the money that is being spent, and basically spending the minimum needed to insure the assets are viable.

Water Plant Supervisor Jerry Sturm asked how long interested parties would be searched for before deciding to demolish the plant. He added it might be more economical to run the plant at a minimum rather than doing any decommission until a decision is made that there are no interested buyers. It was his opinion that running the plant would keep it in better shape than shutting it down and let equipment sit idle.

After a discussion regarding monitors, processors, and other high value items, Mr. Dick Sturm commented the security of the site is an issue that will need to be discussed in the long run.

Comm. Fahrback asked about the process of securing potential buyers. Mr. Sturm replied they are waiting advice from the consultants to indicate when the timing is right. Mrs. Krause added we are also waiting for results from the biomass study to be completed which could also be used as a selling point.

ATC Notice of 3rd Payment for Voluntary Additional Capital Contributions in 2009 – Mrs. Krause reported on the additional contribution request and the past practice of allowing WPPI Energy to make the contribution on our behalf.

The motion by Comm. Merkes, seconded by Comm. Fahrback, was unanimously approved on roll call not to participate on the voluntary call and to authorize WPPI Energy to make the contribution if they so choose.

Memo of Understanding, Local 1269 AFSCME AFL-CIO – Mrs. Krause stated the revised memo would extend the trial period for the Steam System Maintenance/Operations Superintendent from 90 days to 180 days.

The motion by Comm. Merkes, seconded by Comm. Guidote, was unanimous to approve the revised Memorandum of Understanding.

Request to Reallocate Funds for Energy Conservation Project – Mr. Rodriguez reviewed the request to transfer funds in the 2009 budget to upgrade the flood lighting at the office complex and the ornamental lighting in the Plaza. Payback for this project is calculated at 1.22 years with the reduction in energy costs and reduced maintenance expense.

The motion by Comm. Guidote, seconded by Comm. Fahrbach, was unanimously approved on roll call to reallocate the 2009 budget funds for the Energy Conservation Project.

Item IX. Project Reports, Third Street Water Main Project – Electric and Water Distribution Supervisor Pichler reported a final walk through with Omni Engineering, DNR, and the Department of Public Works will be scheduled on the project in order to facilitate closure for the Safe Drinking Water Fund loan. The street lighting has been ordered and approval has been received from ATC to mount the lighting on their poles. Mayor Merkes added they expect concrete will start to be poured the middle of July.

Item X. Staff Reports, Interim General Manager – in the absence of Interim General Manager Verhagen, there was no report for this month.

Electric and Water Distribution/Safety Report – Mr. Pichler added crews continue to pull poles.

Steam Utility – Mr. Sturm gave an update on the Sonoco, Alcan, and #4 boiler outages. In response to Comm. Fahrbach's question, he stated Dresser Rand is still cooperating with items they have agreed to and basic testing has been completed.

Project Engineer – Mr. Grenell added the draft biomass study is expected by mid-July.

Comm. Fahrbach asked if there was any progress on the telecommunications strategic plan. In the absence of Technical Services Engineer Teale, Mr. Grenell did not have an update.

Mayor Merkes stated the cost to the City of Menasha was projected to increase from \$400 per month to \$2,000 per month, and questioned the increase compared to net losses in telecommunications. Mrs. Krause stated the income statement did not cover principle and interest of the debt. The cash flow statement shows a major shortfall which includes previous loans from the Electric Utility.

Mayor Merkes indicated this is a drastic increase for the same services in a year, and we should be looking for new customers and new ways to generate income rather than just pushing the increase on current customers even though the Utilities and City are the two largest customers.

Comm. Allwardt add this was all part of the previous strategic plan discussions on the direction of telecommunications, and requested this item be placed on the next meeting agenda.

Mr. Grenell and Mr. Pichler departed at 9:10 a.m. to attend another meeting.

Water Plant – Mr. Jerry Sturm added staff is working through issues with the hypochloride storage tank issues. One tank is leaking and options for replacement versus repair are being investigated.

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

Business Operations – Mrs. Krause noted there is a meeting scheduled on July 20 with the Water Division of the Public Service Commission to discuss chemical costs.

Customer and Utility Services – Comm. Fahrbach asked if we were going to continue renting out the property by the Water Plant. Mr. Rodriguez replied we would need to hire a firm to handle background checks, etc. if the decision is to continue renting the property.

Energy Services Representative/Key Accounts – there were no 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, commented on the leased equipment in the Steam Plant, permit violations, and decommission versus the option to sell the Steam Plant.

Joanne Roush, 409 Cleveland Street, also commented on the leased equipment and alternative financing on a key component of the plant, the appearance of bond holders and lawyers driving the process, value of the physical asset to a buyer, the transition plan, and the possibility of reducing rates to compensate customers for the Steam Utility debt.

Comm. President Allwardt stated the lease of the equipment was approved by the Commission and has not been a hidden item in the project. Also, the Commission voted to follow the Stern Brothers report to close the Utility, and it was their recommendation to bring in another firm to ensure the City and Commission will not be caught off-guard during this process. It is taking longer than what most would like, but it is the right thing to do to make sure there are no surprises and to prevent any further litigation.

Item XII. The motion by Comm. Fahrbach, seconded by Comm. Guidote, was unanimously approved on roll call at 9:30 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: Whiting and Steam Customer Contracts and Potential Litigation

There being no further discussion, the motion by Comm. Merkes, seconded by Comm. Guidote, was unanimously approved to adjourn at 9:55 a.m. and to reconvene into Open Session of the Regular Meeting of the Water and Light Commission.

The motion by Comm. Guidote, seconded by Comm. Merkes, was unanimous to recommend the City of Menasha Common Council approve the Release and Settlement Agreement for Whiting Paper.

There being no further business, the motion by Comm. Guidote, seconded by Comm. Merkes, was unanimously approved on roll call at 10:00 a.m. to convene into Closed Session pursuant to Section 19.85 (1) (c) of the Wisconsin Statutes for the purpose of considering employment, promotion, compensation or performance evaluation data of any public employee over which the governmental body has jurisdiction or exercises responsibility. RE: Personnel: Staffing

There being no further discussion, the motion by Comm. Guidote, seconded by Comm. Merkes, was unanimously approved to adjourn at 10:45 a.m. and to reconvene into Open Session of the Regular Meeting of the Water and Light Commission.

The motion by Comm. Guidote, seconded by Comm. Merkes, was unanimously approved to offer the Manager of Engineering and Operations position to Mr. Dick Sturm at Step 3 of the salary structure, and to offer the revised Manager of Business Operations position to Mrs. Melanie Krause at Step 1 of the salary structure. Both Mr. Sturm and Mrs. Krause accepted the new positions.

There being no further business, the motion by Comm. Guidote, seconded by Comm. Merkes, was unanimously approved to adjourn at 10:50 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.