

REGULAR MEETING OF THE WATER AND LIGHT COMMISSION

November, 28, 2012

**Draft**

Commission President Allwardt called the Regular Meeting of the Water and Light Commission to order at 8:00 A.M., with Commissioners Roy Kordus, Don Merkes, and Dan Zelinski present on roll call. Also present were Melanie Krause, Co-General Manager/Business Operations; Dick Sturm, Co-General Manager/Engineering and Operations; Steve Grenell, Project Engineer; Kristin Hubertus, Business Operations Accountant; Paula Maurer, Customer Services Manager; Lonnie Pichler, Electric and Water Distribution Supervisor; and John Teale, Technical Services Engineer. Don Voogt from McMahon & Associates and Water Maintenance Foreman; Scott Maurer were also present.

Those absent were: Comm. Joanne Roush and Tim Gosz, Water Plant Supervisor.

Commission President Allwardt welcomed Commissioner Roy Kordus as a new member to the Water and Light Commission.

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

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

- A. Minutes of the Regular Meeting of October 24, 2012.
- B. Approve and warrant payments summarized by checks dated October 25 & November 1-21, 2012, which includes Net Payroll Voucher Checks, Void O & M Check #044474-044477, 044566, 044533-044546, and Operation and Maintenance Voucher Checks for a total of \$1,038,419.36, and Operation and Maintenance Vouchers and Rebates to be paid prior to the next Regular Meeting. Motion approved unanimously on roll call.
- C. Correspondence, as listed:
  - Copy of Certificate of Recycling from October 13, event held at Menasha Utilities.
  - Copy of October 24 Wellness Committee Meeting minutes.
  - Copy of Thank you note dated October 24 from Rachael Koontz re: UW-Fox Valley Scholarship.
  - Copy of Memorandum dated November 14, to WPPI Energy Member Managers from Tammy Freeman re: Typical Bill Comparison Summary
  - Copy of Hurricane Sandy Mutual Aid Efforts by Menasha Utilities recognition.

Commission President Allwardt conveyed the Commission's appreciation to the staff involved in the Mutual Aid efforts for Hurricane Sandy.

Item IV. October Financial and Project Status Reports – Business Operations Accountant Hubertus reported consumption of electricity decreased overall compared to budget for the month. Net operating income is lower than budgeted due to less consumption, and the cost of power being higher for the month than budgeted. Cash is higher than budgeted due to projects being cut throughout the year and a timing issue due to substation maintenance testing being delayed until later in the year. The project status report shows the current status of capital projects, and actual costs reflect the costs charged to the projects through the current month.

Water consumption increased by 7.4% compared to budget for the month mainly due to an industrial customers increased consumption. The water loss ratio is higher in part from flushing done on the new 16" water main. Cash is higher than budgeted due to increased revenue and budgeted project delays. Chemical costs were under budget both for the month and the year.

Under Energy Services Utility there was a positive net operating income due to a lighting project budgeted in October that will be carried over to the 2013 budget.

After discussion, the Commission accepted the October Financial and Project Status Reports 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 purposes.

With the presence of Don Voogt, McMahon Associates, New Business Items A, B, C and E were advanced for discussion.

Item VIII. New Business - Change Order #1-3 for Fox River Crossing, Dorner, Inc. – Change Orders #1-3 modify the contract from \$532,952.50 to \$566,720.20. Mr. Voogt explained change orders were being requested due to discoveries uncovered during installation.

Water Maintenance Foreman Scott Maurer detailed the discoveries encountered during the boring process. The boring has been completed and is running with noticeable benefit.

Co-General Manager/Business Operations Melanie Krause reported the budgeted contingency funds were greater than the \$33,767.70 needed to cover the change orders.

The motion by Comm. Merkes, seconded by Comm. Zelinski was unanimous on roll call to approve Change Orders #1-3 to Dorner Inc. for the 16-inch Transmission Main Construction project for a total increase of \$33,767.70. The Commission also recommended the Board of Public Works approve Change Orders #1-3 and forward them to the Common Council.

Change Order #1, Pieper Electric – Change Order #1 modifies the contract from \$612,400.00 to \$612,898.00. Mr. Voogt explained the need for new conduit to pump #3 and the decision to run conduit overhead for the fiber optic cable. The project is going well; the generator and fiber optic are installed. We are waiting for the motor delivery expected in January 2013.

Mrs. Krause reported the availability of budgeted contingency funds for the High Lift Pump Station project will cover the \$498.00 needed for the Change Order.

The motion by Comm. Allwardt, seconded by Comm. Zelinski was unanimous on roll call to approve Change Order #1 to Pieper Electric for the High Lift Pumping Station project in the amount of \$498.00. The Commission also recommended the Board of Public Works approve change order #1 and forward it to the Common Council.

Amendment for McMahon Agreement for 16-inch Transmission – This amendment is being requested to modify the original agreement dated August 17, 2011, for 16-inch Transmission. The time and

expense fee for construction observation services was originally identified as \$2,500.00; the actual observation fee for these services was \$3,770.40 due to additional onsite time by McMahon staff.

Mrs. Krause reported the amendment is needed to fund an additional \$1,270.40 because the Safe Drinking Water loan would only allow \$2,500.00.

Co-General Manager/Engineering and Operations Dick Sturm stated the boring for the canal crossing is complete.

The motion by Comm. Allwardt, seconded by Comm. Kordus was unanimously approved on roll call to amend the Construction Observation Services fee for the 16-inch Transmission from \$2,500.00 to \$3,770.40.

Scott Maurer departed at 8:25 a.m.

Settling Basin Bid Opening – Mr. Sturm reviewed the bid opening held November 1, 2012. Three bids were received with Front Range Environmental being the low bidder at \$48,329.00. The expected service life of the repair is estimated at 25-50 years with the products specified.

The motion by Comm. Merkes, seconded by Comm. Zelinski was unanimously approved on roll call to award the bid for the Settling Basin contract to Front Range Environmental in the amount of \$48,329.00. The Commission also recommended the Board of Public Works approve award of this bid to Front Range Environmental and then forward it to the Common Council for approval.

Don Voogt of McMahon and Associated departed at 8:50 a.m.

Item VII. Unfinished Business, Electric Rate Case – WPPI Energy Director of Rates; Tim Ament joined the meeting via phone conference. Mr. Ament explained the Cost of Service Study piece which is a calculation that allocates the total revenue adjustment to be charged to the customers. He also explained why Proposed Rate Design figures are different than Cost of Service Results.

Mrs. Krause reviewed the application request for a 2.3% overall increase. Factors impacting the increase consist of reduction in usage, increases in cost from the 2010 test year, and the need to maintain reserve levels established in the WPPI lease agreement.

Commissioner Allwardt questioned the Proposed Rate Design percentage difference in the Cp-3 Industrial categories. Mr. Ament reported the main reason is due to the Power Cost Adjustment Clause mechanism.

Commissioner Merkes questioned why the cost of Lighting is 19.90% in the Cost of Service Results and only 4.74% in the Proposed Rate Design. Mr. Ament reported the lack of data on the street lighting class makes it hard to determine what the true cost of service is so it would be difficult to give the lighting customers a 20% increase. A 4.74% increase is being proposed instead.

Commissioner Kordus questioned reasons for the rate increases and Mrs. Krause reported on the history of previous rate applications and gave an update on substantiating the percentage being requested.

Mr. Ament departed the phone conference at 9:30 a.m.

The Commission was in agreement with the rate case being filed. WPPI will file the application with the Public Service Commission in the next two weeks. A public hearing is anticipated in late spring with rates becoming effective mid-year.

VIII. New Business - 2013 APPA Legislative Rally – Mr. Sturm reviewed the information for the March 11-13, 2013 Legislative Rally in Washington DC. Application grants for travel may be available through WPPI. Any Commissioner interested in attending should let him know.

Resolution (R-37-12) for Preservation of Tax Exempt Financing – the motion by Comm. Merkes, seconded by Comm. Zelinski, was unanimous to approve the following, forward to the Common Council and authorize the appropriate signature:

**R-37-12**  
**Resolution for Preservation of Tax Exempt Financing**

**INTRODUCED BY MAYOR MERKES**

**Whereas**, municipal bonds are the means by which state and local governments finance the critical infrastructure of our nation, including roads, bridges, hospitals, schools, and utility systems; and

**Whereas**, under current law the owners of municipal bonds are not required to pay federal income tax on the interest income they receive from the bonds; and

**Whereas**, this tax exemption is part of a more than century long system of reciprocal immunity under which owners of federal bonds are, in turn, not required to pay state and local income tax on the interest they receive from federal bonds; and

**Whereas**, this federal tax exemption provides a significant difference between public sector and private sector debt financing; and

**Whereas**; municipalities benefit from this tax exemption through substantial savings on the interest cost of borrowed money; and

**Whereas**; the benefit of lower capital costs attributable to tax exempt financing are passed on to property tax payers through reduced rates, greater local investments, or both; and

**Whereas**; from time to time Congress and the President have proposed legislation to tax – or alter the federal tax exemption of – interest on municipal bonds; and

**Whereas**, the League of Wisconsin Municipalities adopted a resolution at their 2012 Conference opposing any efforts by Congress or any future President to eliminate or limit the federal tax exemption on interest earned from municipal bonds.

**Now, Therefore, Be It Resolved**, that the City of Menasha Common Council with the Mayor concurring and Menasha Utilities opposes any efforts by Congress and any future, President to eliminate or limit the federal tax exemption on interest earned from municipal bonds.

Resolution (R-42-12) for Preservation of Municipal Utility PILOTs - the motion by Comm. Merkes, seconded by Comm. Zelinski, was unanimous to approve the following, forward to the Common Council and authorize the appropriate signature:

## **RESOLUTION R-42-12**

### **Resolution for Preservation of Municipal Utility PILOTs**

#### **INTRODUCED BY MAYOR MERKES**

**Whereas**, state law allows municipalities to receive payment in lieu of taxes (PILOTs) from municipal water and electric utilities, and PILOTs to municipalities have been authorized since at least 1918; and

**Whereas**, Public Service Commission (PSC) regulations establish a formula for determining the maximum allowable PILOT for any municipal utility, which is the municipal and school tax rates applied to the gross book value of the plant plus materials and supplies; and

**Whereas**, under current law the governing body of a municipality owning a public utility has the discretion to determine the appropriate level of PILOTs; and

**Whereas**, 511 municipal water utilities made PILOT payments totaling \$92.9 million in 2011 and 82 municipal electric utilities made PILOT payments totaling \$19.3 million in 2011; and

**Whereas**, on January 25, 2012, the PSC opened an investigation into PILOTs paid by municipal electric and water utilities, and on September 28, 2012 the PSC staff released a draft report concluding that:

- PILOT payments can be a significant component of municipal water utilities' revenue requirements, averaging 14.9 percent.
- The current method for calculating water utility PILOTs may be a disincentive to replacing aging utility infrastructure and making improvements necessary to ensure adequate service.
- PILOTs for most municipal water systems exceed the amount that they would otherwise pay as a gross receipts tax if they were private for profit utilities.

**Whereas**, there are several compelling reasons municipal utilities should make PILOTs to their municipalities that were not acknowledged in the PSC staff report, including:

- PILOTs are a way for tax exempt entities to financially contribute towards the cost of municipal services and reduce somewhat the burden on property tax payers.
- Financial risk is deserving of financial reward. Municipalities, as the owners of utilities, should receive a dividend in return for the considerable investment they make and risk they incur in establishing utilities.
- Municipal utility facilities directly benefit from public services provided by municipalities, such as police, fire, and snow plowing.
- Municipal utility facilities are located on land within the municipality that could otherwise be privately developed and the owners paying property taxes.

**Whereas**, PILOTs and gross receipts taxes are fundamentally different and there is no substantive benefit in trying to skew the outputs so they are reflective of each other.

**Whereas**, the League of Wisconsin Municipalities adopted a resolution at their 2012 Annual Conference opposes any efforts by the PSC, the state Legislature, and the Governor to eliminate or limit PILOTs from municipal water and electric utilities.

**Now, Therefore, Be It Resolved**, that the City of Menasha and Menasha Utilities opposes any efforts by the PSC, the state Legislature, and the Governor to change current statutes or rules regarding PILOTs from municipal water and electric utilities.

Item IX. Project Reports, Telecommunications Update - Technical Services Engineer, John Teale stated there was nothing new to report since the last meeting.

Water Plant Projects – Project Engineer Steve Grenell gave an update on delivery of equipment on the High Lift project, gave an update on issues with the UV system and added staff is preparing for winter operations.

Water Distribution Projects – Electric and Water Distribution Supervisor Lonnie Pichler reported projects are done for the year. He added Mr. Maurer did a great job with the river crossing project.

Metering Practices & Plan – Mr. Grenell reported staff is continuing with field inspections and Mr. Sturm added Chapman Metering is scheduled for more inspections.

Item X. Staff Reports, Co-General Manager/Engineering and Operations and Project Engineer – there were no additional questions to the reports presented.

Electric and Water Distribution/Safety Report – Mr. Pichler gave an update on the outages reported for the month.

Telecommunications & Substations, Water Plant, and Co-General Manager/Business Operations – there were no additional questions to the reports presented.

Customer Services – Commissioner Zelinski asked about the number of accounts being placed on the tax roll this year. Mrs. Maurer responded there was a slight increase from last year but it was within reason.

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

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

Item XII. The motion by Comm. Zelinski, seconded by Comm. Allwardt, was unanimously approved on roll call to adjourn at 9:50 a.m.

By: MARK L. ALLWARDT  
President

DAN ZELINSKI  
Secretary

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