

**MINUTES OF THE
MANITOWOC PUBLIC UTILITIES COMMISSION MEETING
MONDAY, APRIL 22, 2019**

The scheduled meeting of the Manitowoc Public Utilities Commission was called to order by Commissioner Seidl at 4:00 p.m. on Monday, April 22, 2019. In attendance were Commissioners Allie, Diedrich, Luckow, and Nickels. Also present were David Maccoux – Clifton Larson Allen; Cindy Carter – MPU; Lee Kummer – City Council; Nilaksh Kothari – CEO & General Manager; and Attorney Andrew Steimle – Steimle Birschbach, LLC. Commissioners Hornung and Sitkiewitz were absent.

2018 AUDIT REPORT: Mr. David Maccoux – Clifton Larson Allen presented the following highlights of the audit report: total revenues and expenses of approximately \$75.5 million and \$67.8 million respectively; discussed year-end assets; awarded a \$3.1 million contract with Eaton Corporation for an electric AMI system; extension of the GLU-MPU Power Supply Agreement extension for an additional five years from 2021-2026; and Economic Development Loan and Shared Savings Loan Programs extended to 2020 and earmarked for \$1 million, similar to 2016 and 2017. The audit report is clean and complimented MPU employees for the readiness of the audit. Overall MPU is in a strong financial position. A brief discussion ensued. Commission complimented Business Services Manager.

MOTION: A Motion by Commissioner Diedrich and seconded by Commissioner Allie to accept the 2018 Audit Report as presented and to place on file. Motion carried unanimously.

David Maccoux left the meeting at 4:12 p.m.

DONATION REQUEST FOR CAPITAL CIVIC LIGHTING UPGRADE: Capitol Civic Centre (CCC) is requesting donation from MPU for the CCC's ACT TWO renovation project. Mayor Nickels suggested putting the request on hold while a policy is developed to when and what criteria will be used for MPU to make contribution for community projects. A lengthy discussion ensued on possibility of developing a project based approval process; how the current donation policy can be updated; the pros and cons of MPU making donations to community projects; justification to PSCW on making such donations if rate recovery is requested; focus on lower rates or making donations; and many related issues. The consensus was to create a working group of D. Diedrich, A. Allie, and J. Nickels to develop a policy and bring a recommendation for Commission consideration.

ELECTRIC RATE CASE ADJUSTMENT FILING AT PSCW: An electric rate decrease of 5.5% and to file an application with the PSCW was discussed. The highlights of the rate filing are: increase the threshold for the CP-3 class from 500 kW demand to 1,000 kW; request several changes to the NLMP tariff including to remove the customer declaration statement, reduce the minimum 500 kW incremental demand level to 200 kW, lower baseline level for new customers from 70% to 30%, increase term limit a customer can be on NLMP tariff from four years to a sliding scale; change the base charge rate to a per-day basis, rather than a fixed fee; request adding a minimum load factor of 10% to the GS-1 class; and request changes to the Electric Service rules for updates to current standards. Based on our financial forecast for the test year

ended December 31, 2019, revenue requirements to earn a 5.3 percent rate of return will be \$41,028,898 as compared to existing revenues of \$43,269,401. This creates a need for an overall rate decrease of \$2,240,503 or 5 percent. PSCW expects a minimum of six months for final approval from the date of filing. This will be MPU's fifth consecutive filing with PSCW for a rate decrease.

MOTION: A Motion by Commissioner Nickels and seconded by Commissioner Luckow to approve the Electric Rate Adjustment Filing. Motion carried unanimously.

Cindy Carter left the meeting at 4:40 p.m.

LEAD SERVICE LINE REPLACEMENT LOAN PROGRAM UPDATES PER PSCW ORDER: In the recently approved Lead Service Line (LSL) Replacement Loan program from the PSCW the final order requires several actions to be completed prior to implementation of the program. The following is requested for Commission approval: 1) revisions to the Private Service Line SOP to include a customer notification plan specific to LSL replacement and circumstances under which customers may receive financial assistance to replace galvanized iron service line; establishment of a promissory note between the water and electric utilities of \$1.2 million to fund the initial loan program; establishment of a LSL Replacements Tariff consistent with City ordinances that will take effect no later than 90 days after the order date (March 19, 2019); and establishment of a Customer LSL Replacement Contract & Loan Agreement that would offer customers a low interest loan up to \$6,000 at a term of 10 years with interest at 2.5% and defaults placed on the property tax bill. During watermain replacement projects, the street portion of the service line will be replaced and billed to the Property Owner. If the material of the service is not lead or galvanized iron, MPU cannot offer a LSL loan to the customer per the PSCW order. A brief discussion.

MOTION: A Motion by Commissioner Luckow and seconded by Commissioner Diedrich to approve the revised standard operating procedure; approve the LSL Replacements Tariff; and approve the Customer LSL Replacement Contract and Loan Agreement for filing at PSCW. Motion carried unanimously.

2018 PSCW ANNUAL REPORT: MPU filed the 2018 PSCW annual report on April 1, 2019. This report is due annually on April 1 and is required for all retail electric and water utilities in the State, including investor owned utilities. Following are the highlights of the 2018 report: Return on Rate Base for Electric Utility is 5.15%, including Steam and IT assets and net income/loss, compared to authorized 5.00% and Water Utility is 4.09%; the 2018 system peak demand of 105,447kW occurred on August 14, 2018; electric distribution line losses were 2.2517% down slightly from 2017; the maximum water gallons pumped on a single day occurred on August 15, 2018 at 17,018,000 gallons pumped and water losses increased to 15% from 11% in 2017. A brief discussion ensued.

CONSULTING SERVICES FOR BUILDINGS ASSESSMENT: In April 2019, MPU issued Request for Proposal (RFP) MPUB19-01 to five Architect/Engineering (A/E) firms to provide Physical Building Assessments of MPU Facilities. The objective of the Physical Building Assessment Project is for the A/E to develop rankings of the condition of buildings and provide a

report of the findings that will be used as basis for capital and O & M budgets for the needed improvements for the next 5-10 years. The project will be completed over two years, with the Power Plant and Water Plant facilities in 2019 and all remaining facilities in 2020. Proposals were received and evaluated from: Berners Schober Associates (BSA) and Barrientos Design and Consulting. The BSA proposal was superior to the Barrientos team proposal in price and proposal approach detail. BSA has all capabilities in-house for Architectural and Engineering evaluations and does not list any sub-consultants. The consultant fee in 2019 will be \$31,000 and in 2020 will be \$62,000. A brief discussion ensued.

MOTION: A Motion by Commissioner Nickels and seconded by Commissioner Diedrich to retain the services of Berners Schober Associates for a cost of approximately \$93,000. Motion carried unanimously.

2018 KEY PERFORMANCE INDICATORS: The 2018 key performance indicators of MPU were presented and compared to 2016 and 2017. These Performance Indicators are a representation of items supporting MPU's Strategic Plan. A brief discussion ensued.

GENERAL MANAGER'S REPORT: N. Kothari updated the Commission on the following: B9/T9 in outage since 3/23 for scheduled 3-week outage; Kip Gulseth Construction started the watermain extension and service at Orion; many electric outages due to late winter weather; discussion continues with NOVO on their contract language on liability as they are unwilling to change the language that has zero liability to NOVO; Attorney Ryan Graff, Nash law firm, attended the hearing on March 22, 2019 on MPU and MPIC's motions for summary judgment and the issue will need to be decided by a jury trial scheduled for September 4-6, 2019. Discussion ensued on NOVO contract and MPU v. MPIC proceedings.

GREAT LAKES UTILITIES UPDATE: Completed a review with Leidos of the input data for the GLU long term power supply plan. Leidos provided a data request for the outputs of the power supply plan for review. The draft findings will be presented at the April 23 GLU Board meeting.

CBCWA UPDATE: A draft agreement was received from CBCWA on moving forward with the potentially needed work on the Finished Water Pump Station's pump operations and HVAC system. MPU comments on the agreement have been forwarded to CBCWA.

WASTEWATER TREATMENT FACILITY UPDATE: The BOD limit were not met for March. The high winds recently demonstrated how the water dynamic has changed with the rehabilitation of the Carferry parking lot area. The additional rip rap that was installed to protect the parking lot has shifted the rolling wave action along the South pier. Waves crash and roll up on the WWTF grounds approaching Electrical transformers and leaving multiple kinds of debris behind. The roadway on the grounds in that area has cracks in it now and they are becoming larger in size and area. This is of concern because the 60" main Influent sewer line runs along the south pier area and we do not know the extent of damage to the pier/piling/underground. The City Harbormaster and Army Corp of Engineers have been informed on our concerns.

MINUTES: The Minutes from the Regular Session Meeting on March 25, 2019 were presented for approval.

MOTION: A Motion by Commissioner Nickels and seconded by Commissioner Allie to approve the Regular Session Minutes from March 25, 2019. Motion carried unanimously.

APPROVAL OF CLAIMS: Claims List dated April 9, 2019; Claims List dated April 23, 2019; and Wire Transfers dated through April 17, 2019 were presented for approval.

APPROVAL OF WWTF CLAIMS: Claims List dated April 12, 2019; and Claims List dated April 26, 2019 were presented for approval.

MOTION: A Motion by Commissioner Nickels and seconded by Commissioner Allie to approve the Claims List dated April 9, 2019 check nos. 87201 through 87333 totaling \$699,983.01; Claims List dated April 23, 2019 check nos. 87334 through 87499 totaling \$419,005.66; Wire Transfers dated through April 17, 2019 totaling \$2,162,024.37; Claims List for WWTF batch 00712.04.2019 totaling \$137,146.75; and Claims List for WWTF batch 00714.04.2019 totaling \$51,335.53.

QUOTATIONS/BIDS: Water Distribution System Leak Detection – \$22,500.00 – Utility Service Associates; Underground Electric Utility Installation - \$490,535.00 (3-year contract estimate) – Directional Drilling Services; and WWTF Sludge Hauling and Field Application - \$231,750.00 (annual) – Clean Harbors.

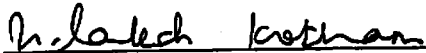
MOTION: A Motion was made by Commissioner Diedrich and seconded by Commissioner Nickels to approve the Water Distribution System Leak Detection. Motion carried unanimously.

MOTION: A Motion was made by Commissioner Allie and seconded by Commissioner Luckow to approve the Underground Electric Utility Installation. Motion carried unanimously.

MOTION: A Motion was made by Commissioner Nickels and seconded by Commissioner Diedrich to approve the WWTF Sludge Hauling and Field Application. Motion carried unanimously.

NEXT MEETING: May 13, 2019 at 4:00 p.m.

ADJOURN: A Motion to adjourn the meeting by Commissioner Nickels and seconded by Commissioner Allie. Meeting adjourned at 5:10 p.m.


Approved: Nilaksh Kothari, CEO & General Manager


Approved: Alex Allie, Secretary