

Kaukauna WI
December 21, 2011

The regular meeting of Kaukauna Utilities Commission was called to order at 4:00 p.m. by President Lee Meyerhofer. Commission members present were Gene Rosin, Bill Vanderloop, Tom Driessen, Lee Meyerhofer, Tom McGinnis, Cindy Fallona, and John Moore. Also present were Paul Van Berkel, City Attorney, Jeff Feldt, Denise Vanderloop, Mike Pedersen, Eric Miller, Don Krause, Kevin Obiala, Mike Kawula, Ron Roberts, Randy Vercauteren, and Jason Wegand from KU. Paul Thompson from Hutchinson, Shockey, Erley & Company, Brian Roebke from the Times Villager, Karen Brooks and Dianna Driessen were also present.

It was moved by John Moore, seconded by Bill Vanderloop to approve the minutes of the November 16, 2011 regular Commission meeting as written.

All members voted aye

Motion Carried

There was no public comment.

General Manager, Jeff Feldt summarized the steps KU has taken in the past 10 years to come to the point where staff is ready to recommend approval of the Badger Hydroelectric Project. From an independent financial feasibility study in 2002, staff has spent countless time and effort to evaluate alternatives, obtain necessary Federal and State approvals, certifications, permits and a 50 year operating license, negotiate equipment and construction contracts, conduct independent economic feasibility studies and risk management analysis. The economic study supports the recommendation to construct new versus retiring or refurbishing the existing units. Feldt asked the Commission to keep in mind that Old and New Badger are now 104 and 84 years old, respectively.

It was moved by Tom McGinnis, seconded by Gene Rosin to authorize staff to proceed with the Badger Hydro Project in the amount of \$35,234,000 plus contingency of \$2,670,000 for a total project cost of \$37,904,000 and generally consisting of the following:

- Demolition of New Badger Hydro plant
- Decommissioning of Old Badger Hydro plant
- Construction of new trash rack system and rehabilitation of existing tainter gate structure at mouth of power canal adjacent to the Kaukauna Dam
- Reconstruction of the power canal
- Construction of new 7.0 MW powerhouse
- Installation of two (2) S-Turbine Generating Units and associated equipment
- FERC required recreation upgrades including Hydro Park

Roll Call Vote:

Gene Rosin	aye
Cindy Fallona	aye
Lee Meyerhofer	aye
Tom McGinnis	aye
Tom Driessen	aye
John Moore	aye
Bill Vanderloop	aye

Motion Carried

Jeff Feldt advised the Commission that at the July 13, 2011 meeting the Utility Commission authorized staff to issue Notice to Proceed 1 to Voith Hydro to conduct detailed engineering activities, secure pricing and sourcing and manufacturing windows for procurement of two 3.37 meter S-Turbine generating units, unit automation and controls and unit commissioning services. Negotiations have continued since July and final negotiated proposal terms and conditions have been reviewed and approved by the City Attorney.

It was moved by John Moore, seconded by Tom Driessen to approve the Voith Hydro proposal dated September 29, 2011 to provide the following:

- Two (2) S-Turbine Generating Units and associated Unit Automation/Controls at a firm price of \$13,817,000;
- Field Services including a Field Technical Advisor and Equipment Wet Commissioning at an indicative price of \$626,000;
- Recommended Spare Parts at a guaranteed price of \$375,189;

And authorize the General Manager to execute a contract with Voith Hydro in the total amount of \$14,818,189, subject to approval by the PSC of the CA, and final approval by the City Attorney and General Manager.

Roll Call Vote:

Lee Meyerhofer	aye
Gene Rosin	aye
Bill Vanderloop	aye
Cindy Fallona	aye
Tom McGinnis	aye
John Moore	aye
Tom Driessen	aye

Motion Carried

Jeff Feldt advised the Commission on September 13 of this year, sealed bids were opened for the Badger Hydro Project Construction Contract. Proposals were submitted by Boldt, Lunda and Miron Construction companies. Staff and AECOM, project engineering consultant, met individually with each contractor to clarify the proposals and construction techniques as well as address any questions the bidders may have had. After additional detailed bid review and a risk review/evaluation meeting, AECOM and KU staffs recommends Boldt as the general contractor on this project.

It was moved by John Moore, seconded by Gene Rosin to authorize the General Manager and City Attorney to finalize negotiations with Boldt for the construction services for the Badger Hydro Project and execute a contract for these services at a firm contract price of \$14,953,720 subject to final approval by the City Attorney and General Manager and the final approval by the PSC of the CA.

Roll Call Vote:	Gene Rosin	aye
	John Moore	aye
	Cindy Fallona	aye
	Lee Meyerhofer	aye
	Tom McGinnis	aye
	Tom Driessen	aye
	Bill Vanderloop	aye

Motion Carried

Manager of Finance, Mike Kawula, introduced Paul Thompson, Senior Vice President & Manager from Hutchinson, Shockey, Erley & Co. (HSE) who helped develop a financing structure for the 2012 Capital Budget. This financing structure includes the 2012 and 2013 construction of the Badger Hydro Project as well as funds for other capital projects included in the 2012 Capital Budget. Financing includes three types of bonds; new Clean Renewable Energy Bonds (CREB), taxable revenue bonds and tax exempt revenue bonds.

It was moved by John Moore, seconded by Tom Driessen to authorize Kaukauna Utilities to proceed with issuance of the 2012 Clean Renewable Energy Bonds (CREBs) in the amount of \$25,350,000. Proceeds from the sale of the bonds, which will be decided at the City Council meeting on January 17, 2012, will be used to finance a portion of the Badger Hydro Project.

Roll Call Vote:	John Moore	aye
	Bill Vanderloop	aye
	Gene Rosin	aye
	Cindy Fallona	aye
	Lee Meyerhofer	aye
	Tom McGinnis	aye
	Tom Driessen	aye

Motion Carried

Mike Kawula discussed the Taxable Revenue Bonds which will be used to fund a portion of the debt reserve and a portion of the bond issuance costs.

It was moved by Cindy Fallona, seconded by Tom McGinnis to authorize Kaukauna Utilities to proceed with issuance of 2012 Taxable Revenue Bonds in the amount of \$1,900,000. Proceeds from the sale of the bonds, which will be decided at the City Council meeting on January 17, 2012, will be used to fund the required electric debt reserve and issuance costs.

Roll Call Vote:	Bill Vanderloop	aye
	John Moore	aye
	Gene Rosin	aye
	Tom McGinnis	aye
	Cindy Fallona	aye
	Tom Driessen	aye
	Lee Meyerhofer	aye

Motion Carried

Mike Kawula determined during the 2012 budget process funds would be needed to finance a portion of the 2012 electric capital projects and the remaining portion of the Badger Hydro Project not covered by the CREB. The 2012 Bonds were included when the 2012 capital budget was approved.

It was moved by Gene Rosin, seconded by John Moore to authorize Kaukauna Utilities to proceed with issuance of the 2012 Electric Tax-Exempt Revenue Bonds in the amount of \$18,500,000. Proceeds from the sale of the bonds, which will be decided at the City Council meeting on January 17, 2012, will be used to finance a portion of the 2012 Electric Capital Budget and the remaining portion of the Badger Hydro Project.

Roll Call Vote:	Lee Meyerhofer	aye
	Gene Rosin	aye
	Bill Vanderloop	aye
	Cindy Fallona	aye
	Tom McGinnis	aye
	John Moore	aye
	Tom Driessen	aye

Motion Carried

General Manager Jeff Feldt took a minute to thank the Commission for the approval of the Badger Hydro Project and stated KU staff will not let the ratepayers and the City of Kaukauna down. The Badger Hydro Project is an investment in the future of Kaukauna and surrounding communities.

It was moved by John Moore, seconded by Tom McGinnis to approve the accounts receivable write offs.

Roll call Vote:	Gene Rosin	aye
	Lee Meyerhofer	aye
	Tom McGinnis	aye
	Cindy Fallona	aye
	John Moore	aye
	Bill Vanderloop	aye
	Tom Driessen	aye

Motion Carried

It was moved by Gene Rosin, seconded by John Moore that checks numbered 48931 through 49122 in the amount of \$4,670,235.26 be approved for payment.

Roll Call Vote:	Bill Vanderloop	aye
	John Moore	aye
	Gene Rosin	aye
	Tom McGinnis	aye
	Cindy Fallona	aye
	Tom Driessen	aye
	Lee Meyerhofer	aye

Motion Carried

It was moved by Tom McGinnis, seconded by Gene Rosin to excuse Commissioner Cindy Fallona at 5:23.

All members voted aye	Motion Carried
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The Commission reviewed the monthly reports.

Staff reports:

Manager of Electric Distribution Eric Miller told the Commission he is working with American Transmission Company (ATC) to relocate utility poles for the roundabout at CE and Hwy 55 and upgrade the relays at Combined Locks Substation. Eric is also planning to go out for bids on underground facilities locating services. The current vendor knows the system well, but KU will explore other possibilities.

Manager of Generation and Operations Mike Pedersen advised the Commission that the planned outages at Combined Locks Substation and the Island Street Gas Turbine are complete. The emergency operations center at the Tobacnoir Substation is nearing completion. The end of the year is still the goal to have the City Plant back on line after problems shut it down in August of 2010.

Water Superintendent Kevin Obiala indicated since the weather is nice, crews are still checking valves, doing leak detection and cross connection surveys. The new standby emergency engine at Well #9 is installed and quite impressive.

Manager of Information and Technology Don Krause is involved with the emergency operations center at the Tobacnoir Substation. The virtual desktop project is moving along very well.

Manager of Finance and Administration Mike Kawula advised commissioners the billing and accounting staff are getting ready for year end. The accounting staff is working with WPPI to finalize the electric rate study.

Manager of Human Resources Denise Vanderloop explained that year-end flex account changes have been submitted to Diversified Benefit Services, Inc. The group of retirees who were with Banker's Life has been moved to a new supplement program effective January 1, 2012. Denise personally met with each retiree to explain the changes. KU will realize a savings of over \$60,000 with this change.

General Manager Jeff Feldt invited the Commissioners to the APPA Legislative Rally in Washington DC this March and the Elm Road Generating Station tour sponsored by WPPI in April. Jeff Feldt also told the Commission Roy Thilly has written *A Short History of WPPI Energy, The First Thirty Years*. Copies of the book have been ordered for the Commission, Council and KU staff.

It was moved by Tom McGinnis, seconded by John Moore to adjourn to closed session pursuant to Wis. State Statute 19.85(1)(c) to consider General Manager Employment Agreement and Badger Hydro Project Incentive Plan at 5:30 p.m.

Roll Call Vote:	Gene Rosin	aye
	Lee Meyerhofer	aye
	Tom McGinnis	aye
	Tom Driessen	aye
	John Moore	aye
	Bill Vanderloop	aye

Motion Carried

It was moved by Tom McGinnis, seconded by Gene Rosin to return open session at 6:09 p.m.

All members voted aye	Motion Carried
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It was moved by John Moore, seconded by Tom McGinnis to approve the proposed General Manager Employment Agreement with the amended change.

Roll Call Vote:	John Moore	aye
	Bill Vanderloop	aye
	Tom Driessen	aye
	Gene Rosin	aye
	Tom McGinnis	aye
	Lee Meyerhofer	aye

Motion Carried

It was moved by John Moore, seconded by Gene Rosin to approve the Badger Hydro Project Incentive Plan and benchmarks as presented.

Roll Call Vote	Bill Vanderloop	aye
	Gene Rosin	aye
	Tom Driessen	aye
	Lee Meyerhofer	aye
	Tom McGinnis	aye
	John Moore	aye

Motion Carried

It was moved by Tom McGinnis, seconded by Gene Rosin to approve 2011 individual bonuses for recognition of additional efforts and accomplishments with the Badger Hydro Project as follows: Mike Kawula - \$3,000, Jeff Feldt - \$3,500, Mike Pedersen - \$4,000.

Roll Call Vote	Lee Meyerhofer	aye
	Bill Vanderloop	aye
	Tom McGinnis	aye
	Tom Driessen	aye
	John Moore	aye
	Gene Rosin	aye

Motion Carried

It was moved by Tom McGinnis, seconded by Gene Rosin to adjourn to closed session pursuant to Wis. State Statute 19.85(1)(g) to confer 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 at 6:20 p.m.

Roll Call Vote:	Tom McGinnis	aye
	Tom Driessen	aye
	John Moore	aye
	Gene Rosin	aye
	Lee Meyerhofer	aye
	Bill Vanderloop	aye

Motion Carried

It was moved by Tom McGinnis, seconded by Gene Rosin to return to open session at 6:48 p.m.

All members voted aye	Motion Carried
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It was moved by Gene Rosin, seconded by John Moore to adjourn.

All members voted aye	Motion Carried
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The meeting ended at 6:50 p.m.

Thomas J. McGinnis
Secretary

Minutes taken by Alice Rasmussen