

MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
January 4, 2007

A regular meeting of the Board of Light, Gas and Water Commissioners, City of Memphis, was held at Memphis Light, Gas & Water Division, 220 S. Main, Thursday, January 4, 2007 at 1:30 p.m. The following were in attendance: Rick Masson, Chairman; V. Lynn Evans, Vice Chairman; Nick Clark, Commissioner; William L. Taylor, Commissioner; Joseph Lee, III, President and CEO; John McCullough, Vice President, CFO and Secretary-Treasurer; Odell Horton, Jr., Vice President and General Counsel; Alonzo Weaver, Vice President, Customer Operations; Christopher Bieber, Vice President, Engineering; Armstead Ward, Vice President, Human Resources; and Linda Peppers, Vice President and Chief Technology Officer. Diana Veazey, Vice President, Construction and Maintenance was not in attendance.

Commissioner Clark moved that after personally reading and reviewing the typed minutes of the Memphis Light, Gas and Water Board meeting held December 21, 2006, that they be recorded as the official record, seconded by Commissioner Taylor, and unanimously carried.

The Secretary-Treasurer acknowledged receipt of certified copies of City Council Resolutions dated December 19, 2006, Item Nos. 8 through 23, approving items approved by the MLGW Board at its meeting held December 7, 2006 (See Minute File No. 1288).

After discussions by the Board, Vice Chairman Evans moved to delay any action on the performance evaluation document of President and CEO, Joseph Lee, III, for two weeks, seconded by Commissioner Clark, and unanimously approved.

1. The Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners that it award the purchase of electric meter pedestals and sockets which replenishes inventory material for distribution and/or contract crews to install and/or maintain electric system. Order quantities are based upon previous usage records and projected projects that will be scheduled during the next 24

months. During the length of this contract, quantities will be driven based on actual need for electric meter pedestals and sockets.

Bids were opened on November 15, 2006. Analysis shows that the lowest and best bids based on a weighted life-cycle cost analysis were received from HD Supply for nine items and the Durham Company for six items, and the items each proposed to furnish have been approved and recommended by the Division's Electric Operations Department. The approximate total for all items is \$877,662.25.

It was moved by Vice Chairman Evans, seconded by Commissioner Taylor, and unanimously carried:

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of contract to HD Supply is approved for furnishing:

Blanket contract for a 24-month period, with the option to extend for an additional 12-month period for providing electric meter pedestals and sockets as released by MLGW. If a need for additional items of these groups of materials or design changes to existing items is identified during the period of this contract, supplier will be requested to add the new items or make changes to the existing items on the contract at a price agreeable to both MLGW and the supplier. A copy of all unit prices to be placed on file in MLGW's Accounting Department;

The total award for 24-months amounts to approximately \$737,035.25 f.o.b. Memphis, TN, transportation prepaid; said prices being firm for the first 12-month period with a maximum increase of 3% in the second 12-month period based on the producers price index and employment cost index for 2007. Additional 12-month period will be negotiated at time of extension if exercised; terms are Net 30 days; delivery as required; and further,

The Durham Company be, and is hereby, awarded contract for furnishing the Division with:

Blanket contract for a 24-month period, with the option to extend for an additional 12-month period for providing electric meter pedestals and sockets as released by MLGW. If a need for additional items of these groups of materials or design changes to existing items is identified during the period of this contract, supplier will be requested to add the new items or make changes to the existing items on the contract at a price agreeable to both MLGW and the supplier. A copy of all unit prices to be placed on file in MLGW's Accounting Department;

The total award for 24-months amounts to approximately \$140,627 f.o.b. Memphis, TN, transportation prepaid; said prices being firm for the first 12-month period with a maximum price increase of 5% in the second 12-month period. Additional 12-month period will be negotiated at time of extension if exercised; terms are Net 30 days; delivery as required; and further,

The total of both awards amounts to approximately \$877,662.25.

2. The President and CEO submitted for approval of the Board the following position number, per the attached documents (See Minute File No. 1289):

Position No. 01192, Helper, Electric Distribution (Pre-Apprentice)

It was moved by Vice Chairman Evans, seconded by Commissioner Taylor, and unanimously carried:

THAT, Position number 01192, as listed in the foregoing preamble, is approved.

3. The President submitted for approval of the Board the following line-of-progression mass job reclassifications, effective through 12/31/07, per the attached documents (See Minute File No. 1289):

- 6 – Helper, Electric Distribution (Pre-Apprentice), Electric Distribution
- 5 – Utility Worker I, Electric Distribution
- 9 – Helper, Electric Distribution (Pre-Apprentice), Electric Distribution
- 2 – Lineman (Temporary), Electric Distribution
- 10 – Utility Worker I, Water Distribution
- 10 – Utility Worker II, Water Distribution
- 8 – Utility Worker II, Gas Distribution
- 12 – Utility Worker I, Gas Distribution

It was moved by Vice Chairman Evans, seconded by Commissioner Taylor, and unanimously carried:

THAT, The line-of-progression mass job reclassifications, as outlined in the foregoing preamble, are approved.

4. The Vice President, Customer Operations presented for consideration of the Board authorization for payment of 2006 gas system research and development funds to the Operations Technology Development Company in a total amount of \$250,000. These funds were previously collected by the gas transmission companies through a FERC-mandated volumetric surcharge which amounted to approximately \$750,000 per year. However, this process has changed to a strictly voluntary funding basis. The Operations Technology Development Company was formed to maintain the gas industry's cooperative research and development program. Due to the substantial benefit MLGW has received from gas industry research and development, the staff recommends participating in the Operations Technology Development Company at an annual level of \$250,000.

It was moved by Vice Chairman Evans, seconded by Commissioner Taylor, and unanimously carried:

THAT, The Secretary-Treasurer is authorized to have checks issued upon receipt of invoices, not to exceed \$250,000, payable to the Operations Technology Development Company for gas system research and development for the year ending December 31, 2006; and that the

President is authorized to execute the Operations Technology Development Membership Agreement.

5. The President and CEO submitted for approval of the Board the following position number, per the attached documents (See Minute File No. 1289):

Position No. 01293, Computer Software Specialist II

It was moved by Vice Chairman Evans, seconded by Commissioner Taylor, and unanimously carried:

THAT, Position number 01293, as listed in the foregoing preamble, is approved.

6. Bill Hawkins, Assistant Business Manager, IBEW Local 1288, 4000 Clearpool Circle, appeared before the Board to discuss various matters.

7. IBEW Local 1288 Leadership, 4000 Clearpool Circle, and Mark Allen, attorney, appeared before the Board to discuss Workers' Compensation.

8. Joseph Lee, III, MLGW President and CEO, gave special expressions of appreciation and letters to the following employees: Laura Campbell and Bill Bullock for services provided in the recent natural gas discount transaction with the Tennessee Energy Acquisition Corporation (TEAC); to Jozelle Booker for outstanding service and dedication during her tenure as Interim Director of Corporate Communications.

There being no further business presented, the meeting was adjourned.

SEE MINUTE FILE NO. 1289.

Secretary-Treasurer