

MINUTES OF MEETING  
of  
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS  
CITY OF MEMPHIS  
held  
June 2, 2005

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A regular meeting of the Board of Light, Gas and Water Commissioners, City of Memphis, was held in the Board room of the Administration Building, 220 South Main Street, Thursday, June 2, 2005 at 1:30 p.m. The following were in attendance: L. R. Jalenak, Chairman; Rick Masson, Vice Chairman; V. Lynn Evans, Commissioner; Joseph Lee, III, President and CEO; John McCullough, Vice President, CFO and Secretary-Treasurer; Max Williams, Vice President and General Counsel; Rob Hunter, Interim Vice President, Construction and Maintenance; Alonzo Weaver, Vice President, Customer Operations; Chris Bieber, Vice President, Engineering; Marcia Mason; Interim Vice President, Human Resources; and Linda Peppers, Vice President and Chief Technology Officer. Commissioners Russell and Clark were not in attendance.

Vice Chairman Masson moved that after personally reading and reviewing the typed minutes of the Memphis Light, Gas and Water Board meeting held May 19, 2005, that they be recorded as the official record, seconded by Commissioner Evans and unanimously carried.

The Secretary-Treasurer acknowledged receipt of certified copies of City Council Resolutions dated May 17, 2005, as follows: Item No. 10 - A&L Underground, Inc. - dropping item approved by the MLGW Board at meeting held April 7, 2005 (see Minute File No. 1268); and Item Nos. 11 through 20, approving items approved by the MLGW Board at meeting held May 5, 2005 (see Minute File No. 1269.)

Commissioner Evans moved that Jacqueline L. Nesbit be appointed Citizen Member of the Retirement and Pension Board, seconded by Vice Chairman Masson and unanimously carried. Ms. Nesbit replaces Archie Willis, III who resigned.

1. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11039, MLGW Gas/Water Leak Survey, to Heath Consultants, Inc. in an estimated funded amount of \$331,060.10.

The project scope is to survey MLGW's Gas/Water Systems for the detection of leaks and the training of personnel for detecting such leaks.

Bids were opened on May 18, 2005, with the only and best bidder being Heath Consultants, Inc.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11039 to Heath Consultants, Inc. in an estimated funded amount of \$331,060.10 as outlined in the foregoing preamble is approved; and further,

THAT, The President or his designated representative is authorized to execute the award.

2. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11041, Right-of-Way Mowing, to Bean and Prince Contractors in an estimated funded amount of \$130,800.

The project scope is to perform grass mowing on MLGW rights-of-way on an as-needed basis.

Bids were opened on May 18, 2005, with the only and best bidder being Bean and Prince Contractors.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11041 to Bean and Prince Contractors in an estimated funded amount of \$130,800 as outlined in the foregoing preamble is approved; and further,

THAT, The President or his designated representative is authorized to execute the award.

3. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners approval of Change No. 5 to Contract No. 10727, System Furniture, with Corporate Express, Inc. to renew the contract for the fourth term, July 1, 2005 to June 30, 2006, in an estimated funded amount of \$775,000.

The project scope is to furnish and install chairs and system furniture at various MLGW locations. This renewal includes a 4% increase in prices due to factory price increases. The new contract amount is \$3,049,397.01.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 5 to Contract No. 10727 with Corporate Express, Inc. in an estimated funded amount of \$775,000 as outlined in the foregoing preamble is approved; and further,

THAT, The President or his designated representative is authorized to execute the change.

4. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners approval of Change No. 1 to Contract No. 10973, Floor Maintenance, with Kimco Corporation to renew the contract for the first term, July 14, 2005 to July 14, 2006, in the funded amount of \$20,648.63.

The project scope is VCT and Terrazzo floor maintenance for the Administration Building and the Netters Business Operations Center. This renewal includes a 2.5% rate increase. The new contract amount is \$40,793.63.

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

THAT, Change No. 1 to Contract No. 10973 with Kimco Corporation in the funded amount of \$20,648.63 as outlined in the foregoing preamble is approved; and further,

THAT, The President or his designated representative is authorized to execute the change.

5. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of contract for furnishing the Division with PVC conduit which replenishes inventory material for distribution and/or contract crews to install and/or maintain the electric system. Order quantities are based upon previous usage records and projected projects that will be scheduled during the next 60 months. During the length of this contract, quantities will be driven based on actual need of material. This contract will also allow the Division to have quick access to said material in case of emergency situations.

Bids were opened on April 6, 2005, with the lowest and best complying bidder of five bidders being Tennessee Valley Electric Supply Company. The approximate total for all items is \$3,013,360.

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

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

60-month blanket contract for PVC conduit, 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, the 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 will be placed on file in General Accounting

the total 60-month award amounts to approximately \$3,013,360, f.o.b. Memphis, Tennessee, transportation prepaid; said prices being firm for the 60-month period except for escalation/de-escalation based on the cost of resin as per MLGW designated publication; delivery as required.

6. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of contract for furnishing the Division with truck winches which are used by distribution crews to install and/or maintain electric, gas and water systems. This equipment replaces existing equipment that will be retired.

Bids were opened on May 11, 2005, with the lowest and best complying bidder of two bidders being Terex Utilities in the amount of \$87,352.

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

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

8 – Latest model hydraulic front-mounted truck winches with 20,000 lb. capacity to be installed on truck chassis supplied by the Division, all in accordance with MLGW Specification No. TFMW-04-4001, at \$10,919 each

totaling \$87,352, f.o.b. Memphis, Tennessee, transportation prepaid; said prices being firm; delivery in 10-12 weeks after receipt of order or 90 days after receipt of chassis.

7. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of contract for furnishing the Division with

substation capacitor banks for installation during construction of Substation No. 76 located at 410 North Dunlap Street.

Bids were opened on May 25, 2005, with the lowest and best complying bidder of four bidders being Tennessee Valley Electric Supply Company in the amount of \$92,000.

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

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

2 – Substation capacitor banks, 13.2 kV, 6000 kVAR, with vacuum interrupting, air-disconnecting, microprocessor-based zero-voltage closing, and low energy solenoid control switching equipment, to be furnished in full accordance with MLGW specifications dated May 14, 2004 and Data Sheet ‘CBZI’ dated May 14, 2004, at \$46,000 each

totaling \$92,000, f.o.b. Memphis, Tennessee, transportation prepaid; said prices being firm; delivery in 14-16 weeks.

8. The Manager, Training and Organizational Development of Memphis Light, Gas and Water Division recommends that the Board approve \$25,000 for support of the Memphis Weekend Academy for 2005-06 and 2006-07 school years, with the Academy receiving \$12,500 each school year for the two-year period.

The Memphis Weekend Academy is a community outreach program that supports students of the Memphis City School System. The educational enrichment program serves approximately 40 under-achieving inner-city students. The program seeks to stimulate such a zest for learning that students will be motivated to stay in school, reaching their full potential. Weekend Academies are located in Knoxville, Chattanooga, Nashville and Memphis. The Memphis program began as a partnership with the Tennessee Valley Authority, Memphis City Schools and Memphis Light, Gas and Water Division, with most of the funding provided by the Tennessee Valley Authority.

In 1999, Weekend Academy became a 501(c)3 not-for-profit agency with sponsoring organizations providing more of the funding. While Weekend Academy, Incorporated and the Tennessee Valley Authority will continue to support the Memphis

Academy, Memphis Light, Gas and Water Division, as the local sponsor, will need to increase its financial support to enable the Academy to continue in Memphis.

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

THAT, The Memphis Light, Gas and Water Division agrees to provide \$25,000 for continued sponsorship of the Memphis Weekend Academy through the 2006-07 school term which will end its commitment to the schools currently involved in the program. At which time, the success of the program will be evaluated and a decision regarding continued sponsorship will be made with a recommendation to the Board; and further,

THAT, The Manager, Training and Organizational Development is authorized to execute this agreement with all funds remaining in Memphis for support of the Memphis Academy.

9. The Manager, Electric Engineering submitted for consideration of the Board, W. R. No. C1H18468 in the amount of \$199,984 to replace capacitor banks 1663 and 1665 at Substation No. 21.

This project is not budgeted. Funding is to be obtained from line item (7-30) of the 2005 Capital Budget (Substation Equipment – Account No. 11013620.)

The Manager, Electric Engineering recommends to the Board installation of the above replacement capacitor banks.

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

THAT, W. R. No. C1H18468 in the amount of \$199,984 is approved for the installation of replacement capacitor banks as outlined in the foregoing preamble.

10. The Manager, Electric Engineering submitted for consideration of the Board, release of the following utility easement:

PORTION of 5-ft.-wide electric distribution utility easement recorded under Instrument No. BW-0526 in the Register's Office of Shelby County, Tennessee, across a tract of land described under Instrument Nos. BB-3496 and BB-3500 in the Register's Office of Shelby County, Tennessee, to Darnell Gatewood, or his successor in title, for the sum of \$1.00. Property located on the north and south sides of Ellendale Road (CLOSED), approximately 1,200 feet west of the centerline of Whitten Road and addressed as 6630 Egypt Central Road.

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

THAT, Release of easement across the above described property is approved; and further,

THAT, The Board of Light, Gas and Water Commissioners recommends to the Mayor of the City of Memphis that appropriate release deed be executed releasing said easement to the current property owner for a consideration of \$1.00.

11. WHEREAS, MLGW has made investments since 1999 that total \$29,620,000 in Memphis Network, which amounts have been approved by the Memphis City Council in MLGW's operating budgets for 2000 - 2004; and

WHEREAS, the Board of Light, Gas & Water Commissioners voted unanimously on April 21, 2005 to increase the maximum amount of the inter-divisional loan between the electric division and the telecommunications subdivision from \$32,000,000 to \$38,000,000; and

WHEREAS, the Board of Light, Gas and Water Commissioners have thoroughly reviewed relevant business operations and financial information of Network and negotiated a lesser loan guarantee of \$3,000,000 with Memphis Broadband and continues to believe that it is in the best interest of MLGW's ratepayers that MLGW extend credit guarantees to Memphis Network for an additional \$3,000,000 in order to allow Network to realize a return on its capital; and

WHEREAS, the Board of Light, Gas and Water Commissioners has determined that it is prudent to have MLGW guarantee its prorata share of additional Network funding by providing a guarantee of up to \$3,000,000 for a \$7,000,000 bank loan of which \$5,000,000 would be secured by the customer contracts for services and \$2,000,000 would be a general operating line of credit. Of the \$2,000,000 general operating line of credit, \$1,025,000 would be drawn upon to pay back to MLGW the amounts of \$375,000 and \$650,000 which were short term loans made from MLGW to Memphis Network within the past six months from previously budgeted funds; and

WHEREAS, the City Council's decision not to approve an increase in the interdivisional loan will result in dilution in value of approximately 57% of the ownership of MLGW's \$29,500,000 investment (which is \$16,815,000) to the Memphis

Broadband partners who have only invested approximately \$6,000,000 and cause MLGW to lose the majority control of the board of Memphis Networx; and

WHEREAS, the Board believes that this decision of the City Council regarding Memphis Networx will prevent MLGW from fully participating in the expected profits of Memphis Networx.

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

THAT, the Board of Light, Gas and Water Commissioners respectfully requests the City Council to reverse its decision of May 17, 2005 and authorize the Board of Light, Gas & Water Commissioners to increase the amount of the interdivisional loan between the electric division and the telecommunications sub-division from \$32,000,000 to \$35,000,000 for the reasons stated in the Preamble to this Resolution.

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

SEE MINUTE FILE NO. 1270.

Secretary-Treasurer