

MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
July 20, 2006

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, July 20, 2006 at 1:30 p.m. The following were in attendance: Rick Masson, Chairman; James L. Russell, Commissioner; 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; Diana Veazey, Vice President, Construction and Maintenance; 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. V. Lynn Evans, Vice Chairman, 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 July 6, 2006, that they be recorded as the official record, seconded by Commissioner Russell and unanimously carried.

The Secretary-Treasurer acknowledged receipt of certified copies of City Council Resolutions dated July 11, 2006, Item Nos. 10 through 16, approving items approved by the MLGW Board at meeting held June 15, 2006 (see Minute File No. 1282).

Armstead Ward presented a medical plans update and personnel policies review (see Minute File No. 1283).

Jozelle Booker addressed the Board regarding her memo dated July 12, 2004, as it relates to Item No. 2. Christopher Bieber, J. D. Cox, Diana Veazey and Rick Thompson discussed issues related to Item No. 2 and the process of awarding contracts.

Odell Horton, Jr. advised the Board that all legal issues regarding Item No. 10 had been resolved.

Joseph Lee, III commented on the TEAC transaction

1. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11112, Generator Preventative Maintenance Agreement, to Cummins Mid-South, LLC, in the funded amount of \$56,986.

The project scope is to perform required preventative maintenance on all generator sets under the responsibility of MLGW Water Operations. The annual maintenance inspections will be performed quarterly on generator sets ranging in size from 100 kW to 2000 kW and includes engines manufactured by Cummins, Detroit Diesel, Caterpillar and John Deere.

One bid was received and opened on May 17, 2006 for said Contract from Cummins Mid-South, LLC.

It was moved by Commissioner Clark, seconded by Commissioner Russell and carried, with Commissioner Clark abstaining:

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11112 to Cummins Mid-South, LLC, in the funded amount of \$56,986, as outlined in the foregoing preamble, is approved; and further,

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

2. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11131, Transmission Line Construction Substation 79 to Substation 86, Sections A and B, to Dillard Smith Construction Company in the funded amount of \$2,298,201.79.

The project scope covers the construction of 6.36 miles of single-circuit 161 kV transmission line from Shelton Road Substation No. 79 to proposed Collierville Gate Substation No. 86 on double-circuit tubular structures of varying heights with vertical conductor configurations.

Bids were received and opened on June 21, 2006 for said Contract, with the lowest and best bidder of five bidders being Dillard Smith Construction Company.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11131 to Dillard Smith Construction

Company in the funded amount of \$2,298,201.79, as outlined in the foregoing preamble, is approved; and further,

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

3. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11134, Integration Service for Arlington and Capleville LNG Plants, to Logical Systems, Inc. (LSI) in the funded amount of \$26,550.

The project scope is to provide programming services on an as-needed basis for the Arlington and Capleville LNG Plants. System integrator will be required to quickly diagnose problems at either plant and get each plant back on line to prevent hazards and expenses involved in venting gases, monitoring the fire and hazard equipment and running the plants equipment. This contract is a sole-source award for system design and engineering services at \$88.50/hour x 300 hours.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11134 to Logical Systems, Inc. in the funded amount of \$26,550, as outlined in the foregoing preamble, is approved; and further,

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

4. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11142, Upgrade MLGW DS3 Microwave Ring with OC3 Ring, to Harris Corporation, in the funded amount of \$496,958.

The project scope is to upgrade MLGW's existing digital microwave radio system.

Bids were received on July 12, 2006 for said Contract, with only one proposal from two qualified bidders being Harris Corporation.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11142 to Harris Corporation in the funded amount of \$496,958, as outlined in the foregoing preamble, is approved; and further,

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

5. The Vice President, Customer Operations presented for consideration of the Board approval of Contract No. 11089 between Memphis Light, Gas and Water Division (MLGW), Trunkline Gas Company and Panhandle Eastern Pipeline. This contract will replace Contract No. 10196 between MLGW and Trunkline Gas Company. The new contract will be for the same total contract demand of 150,000 MMBtu/day in winter as the old contract, but it will reduce the summer demand from 80,000 MMBtu/day to 40,000 MMBtu/day. The new contract includes firm transportation agreements on Trunkline pipeline, a firm transportation agreement on Panhandle Eastern Pipeline, and an underground storage agreement on Trunkline, along with Discount Letters for each service. The underground storage capacity is 3.75 Bcf, which will increase MLGW's underground storage by nearly 50%.

The contract term is for five years and five months, effective November 1, 2006. The contracts provide a discounted transportation rate and flexibility to take gas from four basins (Gulf, Texas, Midwest and Canada) on the pipelines.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Contract No. 11089 with Trunkline Gas Company and Panhandle Eastern Pipeline, as outlined in the foregoing preamble, is approved; and further,

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

6. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners Change No. 2 to Contract No. 10837, Administration Building Cafeteria, with UniSource Business Services, LLC.

The project scope has changed to allow UniSource to continue to provide cafeteria and vending services at the Administration Building for a third and final term, August 8, 2006 to August 7, 2007. UniSource will be allowed to adjust prices as agreed. The commission will continue to be 2% of all annual sales over \$150,000 to the charity or fund of MLGW's choice.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Change No. 2 to Contract No. 10837 with UniSource Business Services, LLC, as outlined in the foregoing preamble, is approved; and further,

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

7. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of contract for furnishing gas meter proving systems which are used to calibrate gas meters in the Gas Meter Shop and are replacing old meters which are obsolete.

Bids were received on June 28, 2006. The lowest and best complying bidder of three bidders was Measurement Systems, in the amount of \$64,983.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

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

2 – Gas Meter Proving Systems, made in accordance with MLGW specifications dated January 19, 2006, at \$32,491.50 each

totaling \$64,983, f.o.b. Memphis, Tennessee, transportation prepaid; deliveries vary from 12 to 14 weeks.

8. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of contract for furnishing excavatable flowable fill which is used by Distribution Support crews to maintain electric, gas and water systems for use as backfill and blocking material. Order quantities are based upon previous usage records and projected projects that will be scheduled during the next 36 months. During the length of this contract, quantities will be driven based on actual need for excavatable flowable fill.

Bids were received on June 21, 2006. The lowest and best complying bidder of three bidders was Metro Materials, Inc. in the total amount of \$1,380,760 approximately.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of contract to Metro Materials, Inc. is approved as follows:

36-month blanket contract for furnishing excavatable flowable fill, as released by MLGW. A copy of all unit prices to be placed on file in General Accounting

totaling \$1,380,760 approximately, f.o.b. Memphis, Tennessee, transportation prepaid; said prices being firm for the first 12-month period, with a maximum increase of 10% in years two and three during the subsequent 12-month periods over the 36-month period as applicable; terms are net 30 days; delivery as required.

9. The Manager, Procurement and Contracts requested the Board's permission to amend Purchase Order No. 123971 with Southern Sales and Service Company, Inc. for concrete standards budgeted in 2006. All existing customer terms and conditions will remain the same.

On January 6, 2005, the Board approved award of 36-month contract for concrete standards. The original award amount was approximately \$378,909, with firm prices for the length of the contract. The request is needed to complete the final phase of Countrywood annexation which is to be completed by the end of December 2006. The project consists of the installation of approximately 2,600 concrete standards resulting in a higher anticipated demand. Total expenditures to date on this contract are \$258,407.82 with a balance of \$120,501.18; therefore, an additional approval in the amount of \$656,608 is requested to allow MLGW to release the concrete standards required for MLGW stock and scheduled jobs for the remainder of 2006 and 2007. This will bring the total approved amount to \$1,035,517.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Subject to the consent and approval of the Council of the City of Memphis, Purchase Order No. 123971 is amended as outlined in the foregoing preamble.

10. The Secretary-Treasurer stated that the Pension Board, through its Investment Committee, had approved and was recommending to the Board of Light, Gas and Water Commissioners to exchange shares of the Special Value Absolute Return Fund for membership interest in Special Value Continuation Fund, LLC, managed by Tennenbaum Capital Partners, LLC.

He also stated that the Pension Board, through its Investment Committee, had approved and was recommending to the Board of Light, Gas and Water

Commissioners the transfer of the investment in the BlackRock Realty-Tower Fund to the BlackRock Granite Property Fund, Inc., a private real estate investment trust.

The Secretary-Treasurer is authorized to negotiate and sign contracts satisfactory to MLGW for services of Tennenbaum Capital Partners, LLC and BlackRock Granite Property Fund, Inc. for benefit of the MLGW Retirement and Pension Fund with the usual provision for termination by either party upon 30 days written notice.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, The Secretary-Treasurer is authorized to enter into contract with Tennenbaum Capital Partners, LLC and BlackRock Granite Property Fund, Inc. for benefit of the MLGW Retirement and Pension Fund, as set forth in the foregoing preamble.

11. The Manager, Economic Development submitted for consideration of the Board approval of annual membership dues to the Memphis Regional Chamber. The annual membership dues are \$25,000 and allow MLGW to be part of the Chamber's efforts to achieve ongoing economic success and prosperity for Memphis/Shelby County by attracting new companies and investment, and supporting existing business growth.

It was recommended that these dues be paid in order to support the Memphis Regional Chamber to achieve ongoing economic success and prosperity through business and industry recruitment, make local companies more globally competitive, drive the advancement of the Memphis technology community, and help create an environment that promotes the retention/expansion of local business.

The funds for the dues are included in the 2006 Budget.

It was moved by Commissioner Clark, seconded by Commissioner Russell and carried, with Commissioner Clark abstaining:

THAT, The Secretary-Treasurer is authorized and directed to have a check issued in the amount of \$25,000, payable to the Memphis Regional Chamber for the 2006 annual dues.

12. The President submitted for approval of the Board the following position number, per the attached documents (see Minute File No. 1283):

Position No. 01086, Customer Accounts Representative

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Position No. 01086, as listed in the foregoing preamble, is approved.

13. The Manager, Electric Engineering submitted for consideration of the Board W. R. No. C1I21500 in the amount of \$150,000 to replace failed power circuit breaker 3707.

The funding for this project will be obtained from the 2006 Capital Budget - Line Item (7-14).

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, W. R. No. C1I21500 in the amount of \$150,000, as outlined in the foregoing preamble, is approved.

14. The Manager, Electric Engineering submitted for consideration of the Board W. R. No. C1I21533 in the amount of \$275,000 to install power circuit breaker 72381 and capacitor bank 72383 at Substation No. 72 to improve voltage regulation during summer peak conditions.

A portion of the funding for this project will be obtained from the 2006 Capital Budget, Line Item (8-8), in the amount of \$150,000. Additional funding will be obtained from Line Item (8-10) in the amount of \$100,000 and Line Item (8-11) in the amount of \$25,000.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, W. R. No. C1I21533 in the amount of \$275,000, as outlined in the foregoing preamble, is approved.

15. The Vice President, Engineering submitted for consideration of the Board W. R. Nos. C3H34708, C3H34700, C3H34701 and C3H34673, to transfer capital funds in the total amount of \$351,000 to replace aerator media (Coke) at the Sheahan, McCord, Morton and Shaw Pumping Stations which will provide adequate treatment of source water to each water treatment plant-pumping station.

Funds in the total amount of \$351,000 will be taken from the 2006 Budget Line Items (43-4), (43-9), (43-17), (43-22) and (44-9) – Replace Aerator Media (Coke), Mallory, Allen, Lichterman, Davis, and Palmer Pumping Stations to cover the total estimated expense of \$351,000.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, W. R. Nos. C3H34708, C3H34700, C3H34701 and C3H34673 in the total amount of \$351,000, as outlined in the foregoing preamble, are approved.

16. WHEREAS, the City of Memphis, for the use and benefit of Memphis, Light, Gas and Water Division, is the owner of a tract of land acquired for use by the Water Division, said tract of land being located on the north side of Driver Place, approximately 200 feet north of the north line of Linden Avenue; and

WHEREAS, the Memphis Light, Gas and Water Division has been offered by Hunt-Phelan, LLC, the sum of \$312,000 for the purchase of surplus tract of land owned by Memphis Light, Gas and Water Division; and,

WHEREAS, the approved policy for sale of Division-owned land permits the Board of Light, Gas and Water Commissioners to recommend to the Council of the City of Memphis a negotiated sale of land where, in its opinion, the land is situated such that a general interest in the purchase of the property could not conceivably be generated by the ad and bid procedure; and,

WHEREAS, the subject property falls into this category and is described as follows:

Being the same property conveyed Memphis Light, Gas and Water Division, a Division of the City of Memphis, recorded under Instrument No. 03005164 in the Register's Office of Shelby County, Tennessee.

Disposition of Parcel No. 6, Block 3 of Beale Street Renewal Area No. 2, Project No. Tenn. A 11-1, in Shelby County, Tennessee and being more particularly described as follows and shown on the attached sketch (see Minute File No. 1283):

Beginning at a point in the east line of Danny Thomas Blvd. (106 feet wide) 43.29 feet northwardly from the tangent intersection of said east line with the north line of Driver Place said point having the coordinates of Y=296430.55 and X= 790628.71 northwardly by a curve to the left having a radius of 1052.50 feet an arc distance of 86.53 feet to the northwest corner of said parcel; thence on Lambert Grid bearing South 80 degrees 43 minutes 55 seconds east 381.81 feet to the northeast corner of said parcel; thence South 9 degrees 09 minutes 13 seconds west 120 feet to a point in the north line of Driver Place; thence along said north line, North 80 degrees 43 minutes 55 seconds west a distance of 359.76 feet to the beginning of curve to the right having a radius of 30 feet; thence on the arc of said curve an arc distance of 50.95 feet to the point of beginning, containing 46,169.26 square feet or 1.060 acres more or less.

Property located on the north side of Driver Place; approximately 200 feet north of the north line of Linden Avenue.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, The Board of Light, Gas and Water Commissioners recommends to the Council of the City of Memphis, the sale of property described in the above preamble to Hunt-Phelan, LLC, for and in consideration of \$312,000; and further,

THAT, The President or his designated representative of the Division is hereby authorized to execute the sale of said property.

17. WHEREAS, appropriate departments of the Engineering Division and the Vice President, Engineering approved the release of the utility easements as follows:

A 6-ft.-wide utility easement as recorded in Book 5210, Page 239 in the Register's Office of Shelby County, Tennessee across part of Lot 2, Block 28, Plan of South Memphis as recorded under Instrument No. 04119799 in the Register's Office of Shelby County, Tennessee to Ronald L. Lax or its successor in title, for the sum of \$1.00.

Property located on the southeast side of South Front Street, approximately 37.5 feet northeastwardly from the northeast line of Talbot Avenue as measured along the northeast line of South Front Street.

Portion of 5-ft.-wide electric distribution utility easement as recorded under Instrument No. 03074292 in the Register's Office of Shelby County, Tennessee across Lot 4, Phase 1, Parcel 1, Peabody Green P.D. as recorded in Plat Book 218, Page 24 in the Register's Office of Shelby County, Tennessee to Shepherd Construction Company, Inc. or its successor in title for the sum of \$1.00.

Property addressed as 1862 Peabody Avenue, Memphis, Tennessee.

Portion of 8-ft.-wide utility easement as recorded in Book 4352, Page 67 in the Register's Office of Shelby County, Tennessee across part of Lot 5, Parcel 2, Plat Book 209, Page 55 to William H. Thomas, Jr. or his successors in title for the sum of \$1.00.

Property location: I-40/Shelby Oaks Drive Subdivision Section "A", Lot 5, Phase 2 as recorded in Plat Book 209, Page 55.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Release of said easements across the above described properties is approved; and further,

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

18. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11133, Variable Frequency Drive Replacement Shaw Station HSP No. 5, to Tri-State Armature & Electrical Works, Inc., in the funded amount of \$154,914.

The project scope is to replace existing variable frequency drive at MLGW's Shaw Station HSP No. 5, located at 10300 Humphrey Road.

Bids were received on July 12, 2006 for said Contract, with only one proposal from two qualified bidders being Tri-State Armature & Electrical Works, Inc.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11133 to Tri-State Armature & Electrical Works, Inc. in the funded amount of \$154,914, as outlined in the foregoing preamble, is approved; and further,

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

19. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Expedited Procurement Request for Contract No. 11158, PCB Assessment of Transformer Fire, to Shaw Environmental & Infrastructure, Inc. in the funded amount of \$55,842.

The project scope is to collect samples, in accordance with Environmental Protection Agency 40 CFR 761 Subpart N, at the site of the transformer fire (1629 Thomas Street, Memphis, TN) and submit the samples for PCB's and dioxins/furan analyses to determine the magnitude of potential contamination remaining at the closed truck terminal.

Proposals were opened on June 30, 2006 for said Contract, with the lowest and best proposal of two proposals being Shaw Environmental & Infrastructure, Inc.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, Subject to ratification by the Council of the City of Memphis, award of Contract No. 11158 to Shaw Environmental & Infrastructure, Inc. in the funded amount of \$55,842, as outlined in the foregoing preamble, is approved; and further,

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

20. The Supervisor, Telecommunications Engineering presented for approval of the Board W. R. No. C1H93719 in the amount of \$95,000 for a SCADA Communications Ring.

Funds will be taken from 2006 Budget Line Item (23-16) North Service Center for Substation 5 and 7 Fiber Cable and added to 2006 Budget Line Item (23-25) SCADA Communications Ring.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, W. R. No. C1H93719 in the amount of \$95,000 as outlined in the foregoing preamble is approved.

21. Commissioner Clark authorized MLGW to pursue a potential prepay arrangement with Tennessee Energy Acquisition Corporation (TEAC) to receive a discount in regards to natural gas purchases in a long-term contract arrangement. He requested a cross-discipline white paper study of the TEAC proposal.

It was moved by Commissioner Clark, seconded by Commissioner Russell and unanimously carried:

THAT, MLGW is authorized to pursue a potential prepay arrangement and cross-discipline white paper study of the TEAC proposal as outlined in the foregoing preamble.

22. Sherry DuBose, 384 S. Goodlett, addressed the Board regarding a retiree medical insurance resolution (see Minute File No. 1283.)

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

SEE MINUTE FILE NO. 1283.