

MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
September 15, 2005

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, September 15, 2005 at 1:30 p.m. The following were in attendance: Rick Masson, Chairman; V. Lynn Evans, Vice 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; Max Williams, Vice President and General Counsel; 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.

Commissioner Clark moved that after personally reading and reviewing the typed minutes of the Memphis Light, Gas and Water Board meeting held September 1, 2005, that they be recorded as the official record, seconded by Vice Chairman Evans and unanimously carried.

The Secretary-Treasurer acknowledged receipt of certified copies of City Council Resolutions dated September 6, 2005, Item Nos. 10 and 11, approving items approved by the MLGW Board at meeting held August 18, 2005 (see Minute File No. 1272); and Item No. 21, approving purchase of easement from Julia Ellen Armour-Gordon for the sum of \$104,288, approved by the MLGW Board at meeting held July 21, 2005 (see Minute File No. 1271.)

Jeff Sanford, President, Center City Commission, addressed the Board regarding the calculation of revenue credits on condominiums. Christopher Bieber also addressed the Board regarding this issue.

Alonzo Weaver made a Winter Gas Advisory presentation to the Board. (See Minute File No. 1273.)

Chairman Masson appointed Commissioner Clark to the Natural Gas Hedge Committee.

1. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11077, Flu Shots, to Wellness First, Inc. in an estimated funded amount of \$25,500.

The project scope is to provide flu shots to approximately 1,500 MLGW employees and retirees.

Bids were received on September 9, 2005. The best bidder out of two bidders was Wellness First, Inc.

It was moved by Commissioner Clark, 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 No. 11077 to Wellness First, Inc. in an estimated funded amount of \$25,500 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, Account Services advised the Board that the Commissioners of Shelby County, Tennessee, in a regular meeting held August 8, 2005, approved the attached resolution (see Minute File No. 1273.) This resolution provides that Memphis Light, Gas and Water Division (MLGW) will, upon proper notification from the Board, add a fee to the utility bill of each ratepayer (presently \$0.75 per month). On the 20th of each month, MLGW shall remit to the Memphis and Shelby County Health Department the sum of all fee billings in the prior month, less a service fee of 2% and less those amounts deemed to be uncollectible after MLGW has exhausted its collection methods. This Agreement is effective from September 27, 2005, and its initial period is one year with provision for annual renewals for not more than five years.

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

THAT, Contract No. 11079 between MLGW and the Shelby County Health Department relating to the billing and collection of a vector control fee within Memphis and Shelby County, Tennessee is approved; and further,

THAT, The President is authorized to execute this Agreement and Contract for MLGW.

3. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners approval of Change No. 3 to Contract No. 10797, Southeast Janitorial Services, with Facilities Maintenance Experts, Inc. in an estimated funded amount of \$38,010.82, with unit rate adjustments.

This renews the contract for the fourth term, November 1, 2005 to October 31, 2006, to provide janitorial services at the various MLGW facilities. This renewal reflects a 2% cost-of-living increase. The new contract amount is \$198,276.22.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 3 to Contract No. 10797 with Facilities Maintenance Experts, Inc. in an estimated funded amount of \$38,010.82, with unit rate adjustments, 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. 5 to Contract No. 10798, Southeast Janitorial Services, with Facilities Maintenance Experts, Inc. in an estimated funded amount of \$92,200.48, with unit rate adjustments.

This renews the contract for the fourth term, November 1, 2005 to October 31, 2006, to provide janitorial services at the various MLGW facilities. This renewal reflects a 2% cost-of-living increase. The new contract amount is \$431,279.98.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 5 to Contract No. 10798 with Facilities Maintenance Experts, Inc. in an estimated funded amount of \$92,200.48, with unit rate adjustments, 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 approval of Expedited Procurement Request for Change No. 2 to Contract No. 10817, Managed Prescription Drug Program, with Express Scripts, Inc. in an estimated funded amount of \$2,750,000.

This extends the contract not to exceed 90 days beginning January 1, 2006. The current program is to be terminated to obtain a less expensive program. The current contract requires a 90-day cancellation notice and will expire December 31, 2005 before a new contract can be implemented. The Managed Prescription Drug Program is funded by the MLGW Medical Benefit Fund which receives contributions from MLGW and employee premium contributions. The new contract amount is \$19,750,000.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 2 to Contract No. 10817 with Express Scripts, Inc. in an estimated funded amount of \$2,750,000 as outlined in the foregoing preamble is approved; and further,

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

6. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners approval of Expedited Procurement Request for Change No. 1 to Contract No. 10870, Preferred Provider Organization Coverage, with Health Choice, LLC, in an estimated funded amount of \$19,999,998.

This extends the contract on a month-by-month basis beginning January 1, 2006 and is necessary to allow time to implement a new contract. The Preferred Provider Organization Coverage is funded by the MLGW Medical Benefit Fund which receives contributions from MLGW and employee premium contributions. The new contract amount is \$120,999,998.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 1 to Contract No. 10817 with Health Choice, LLC in an estimated funded amount of \$19,999,998 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 approval of Expedited Procurement Request for Change No. 1 to Contract No. 10960, Pre-Engineered Metal Shop Building, with Seiler Building Corporation in the funded amount of \$19,976.77.

This covers additional work unforeseen in the original scope of work for this unfinished project. This requested work must be completed before final inspection can be completed by Code Enforcement. The additional five items and the cost of each are detailed below:

Item No. 1 – Concrete pavement encountered under existing asphalt encountered in foundation excavation, \$5,995.

Item No. 2 - Additional cost incurred as a result of not being able to tie into existing sanitary sewer at nearest location, \$6,623.34.

Item No. 3 – Additional cost incurred for water tie-in, \$3,751.92.

Item No. 4 – Additional cost incurred for electrical contractor's change order to wire the overhead doors, \$1,967.90.

Item No. 5 – Additional cost incurred for drywall contractor's increase due to steel increases, \$1,638.61.

The new contract amount is \$302,366.

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

THAT, Change No. 1 to Contract No. 10960 with Seiler Building Corporation in the funded amount of \$19,976.77 as outlined in the foregoing preamble is approved; and further,

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

8. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners approval of Change No. 3 to Contract No. 10996, Weaver Road Water Main Extension, with Nelson, Inc. in the funded amount of \$120,095.

This covers the cost of additional units of labor, material and equipment needed to complete the project. The additional units were necessary due to unforeseen soil conditions during actual construction. The new contract amount is \$845,131.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 3 to Contract No. 10966 with Nelson, Inc. in the funded amount of \$120,095 as outlined in the foregoing preamble is approved; and further,

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

9. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of contract for furnishing ductile iron pipe which replenishes inventory material for MLGW crews to install and/or maintain the water distribution system. Order quantities are based upon previous usage records and projected projects that will be scheduled during the next 12 months. During the length of this contract, quantities will be released based on actual need for each item.

Bids were opened on June 22, 2005. The lowest and best complying bidder of six bidders was U. S. Pipe and Foundry Company for nine items. The approximate total for all items is \$765,124.

It was moved by Commissioner Clark, 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 U. S. Pipe and Foundry Company is approved as follows:

Blanket contract for nine items of ductile iron pipe as released by MLGW. If a need for additional sizes of pipe 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 supplier. A copy of all unit prices will be placed on file in General Accounting

the total award amounts to approximately \$765,124, f.o.b. Memphis, Tennessee, transportation prepaid; said prices being firm; delivery within four weeks after release.

10. By unanimous consent, Item No. 10, award of contract to Anixter, Inc. for furnishing security CCTV equipment in the amount of \$287,928.78, was deleted from the agenda.

11. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of contract for furnishing server hardware and software.

Bids were opened on September 7, 2005. The lowest and best complying bidder of four bidders was Hewlett-Packard Company in the amount of \$751,227.70.

It was moved by Commissioner Clark, 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 Hewlett-Packard Company is approved for furnishing:

HP hardware, software and installation services to be furnished in accordance with MLGW Specifications dated August, 2005. This equipment will be utilized to run several business-critical software applications, including the Customer Information System (CIS), the Advantex Mobile Dispatching System, and the future Oracle eBusiness Suite of applications

totaling \$751,227.70, f.o.b. Memphis, Tennessee, transportation prepaid; said price being firm; delivery in 30 days.

12. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of contract for furnishing T1 Integrated Access Device. This device will add more facilities to the existing network ring. The new equipment will allow MLGW the ability to add telecommunication services to six new locations.

Bids were opened on August 17, 2005. The lowest and best complying bidder of two bidders was Walker and Associates, Inc. in the amount of \$71,087.76.

It was moved by Commissioner Clark, 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 Walker and Associates, Inc. is approved for furnishing:

A T1 Integrated Access Device

totaling \$71,087.76, f.o.b. Memphis, Tennessee, transportation prepaid; said price being firm; delivery in two weeks.

13. The Manager, Procurement and Contracts requested that the Board of Light, Gas and Water Commissioners ratify award of purchase orders issued on an emergency basis for repair and rental of a Genset 1750 kW diesel generator that services the Shaw Pumping Station. The repair was necessary due to a major engine failure to the generator at the pumping station. The backup generator rental was necessary to meet possible curtailment demands as required under the variable price interruptible electric service contract with TVA. During the summer months, the Shaw Pumping Station may be required to reduce electrical demand at any time as requested by TVA.

These emergency purchase orders were issued to Cummins Mid-South, LLC, in the amount of \$105,188.25.

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

THAT, Ratification of emergency purchase orders issued to Cummins Mid-South, LLC, to be ratified by the Council of the City of Memphis, is approved for furnishing:

Repair and rental of Genset 1750 kW diesel generator

totaling \$105,188.25, including freight for parts, labor costs and miscellaneous charges.

14. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of 36-month contract for furnishing industrial tractors which replaces existing equipment that will be retired from service. The equipment is used by distribution crews to install and/or maintain electric, gas and water systems.

Bids were opened on August 17, 2005. The lowest and best complying bidder of six bidders was Tiger Equipment, Inc. in the amount of \$1,565,650.

It was moved by Commissioner Clark, 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 Tiger Equipment, Inc. is approved for furnishing:

36-month blanket contract for providing industrial tractors equipped with hydraulic-operated front blade and backhoe

total award amounts to approximately \$1,565,650, f.o.b. Memphis, Tennessee, transportation prepaid; said price being firm; delivery in 30 to 120 days after released by MLGW. If a need for additional items of this group of equipment is identified during the period of this contract, the supplier will be requested to add the new items to the contract at a price agreeable to both MLGW and the supplier. A copy of all unit prices to be placed on file in General Accounting.

15. The Manager, Budget, Plant and Rates advised the Board that Tennessee Valley Authority (TVA) has issued adjustments to the Schedule of Wholesale Rates and Charges, effective October 1, 2005. The adjustment will increase MLGW’s wholesale power costs by approximately 7.5%.

Per the rate-revision provisions of the Power Contract among the City of Memphis, MLGW, and TVA, MLGW is required to adjust its then-existing retail rate schedules to recover the aggregate change in power cost due to TVA’s rate changes or adjustments. For this reason, a public hearing and approval by the Council of the City of Memphis is not required to adopt a resolution in this regard. The increase in retail rates by customer class will be approximately as follows:

Residential Customers	5.6%
Small General Service Customers 0-50 kW	5.7%
Medium General Service Customers 51-1,000 kW	6.2%
Large Non-Manufacturing General Service Customers 1,001-5,000 kW	6.5%
Large Manufacturing General Service Customers 1,001-5,000 kW	6.5%
Firm Industrial Customers Over 5,000 kW	7.2%
Street Lighting Customers	5.3%

The Manager, Budget, Plant and Rates requests that the Board adopt a resolution to implement retail rate schedules reflecting a pass-through of the aggregate change in power costs due to TVA’s rate actions described herein and to authorize billing

thereunder on a non-prorated basis to all MLGW bills rendered from meters read on and after September 26, 2005.

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

THAT, In order to officially notify the public of changes in electric retail rates, the Board of Light, Gas and Water Commissioners hereby acknowledges the changes in retail electric rate schedules RS, GSA, GSB, GSC, GSD, MSB, MSC, MSD, LS, DPS, TGSA, TGSB, TGSC, TGSD, TMSB, TMSC, TMSD and hereby authorizes billing under said revised rate schedules with meter readings on or after September 26, 2005 on a non-prorated basis.

16. The Vice President, Engineering submitted for consideration of the Board, a proposal from the Gas Technology Institute (GTI) in the amount of \$25,000 to cover the cost of training classes for Gas Engineering Training Week to be held October 31 through November 4, 2005.

Funds in the total amount of \$25,000 will be taken from the 2005 Budget.

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

THAT, The proposal from the Gas Technology Institute (GTI) as outlined in the foregoing preamble is approved; and further,

THAT, The Secretary-Treasurer is authorized to issue a check in the amount of \$25,000 payable to the Gas Technology Institute (GTI).

17. 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 termination of investment contract with Private Advisors, LLC, and the portfolio totaling approximately \$10,800,000 be liquidated.

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

THAT, The Secretary-Treasurer is authorized to notify Private Advisors, LLC of contract termination, and the portfolio totaling \$10,800,000, approximately, be liquidated.

18. The President submitted for consideration of the Board, authorization for payment in the amount of \$50,000 to the Mid-South Minority Business Council as restricted funds for the Memphis Tomorrow Supplier Diversity Project.

MLGW is a corporate member of the Mid-South Minority Business Council and Memphis Tomorrow. The intent of Memphis Tomorrow's Supplier Diversity Project is to promote and facilitate the growth and expansion of minority-owned and women-owned businesses in Memphis and Shelby County. The funding will assist the Mid-South Minority Business Council in implementing programs and processes to grow the participating businesses.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, the Secretary-Treasurer is authorized and directed to have a check issued in the amount of \$50,000 payable to the Mid-South Minority Business Council.

19. The Manager, Procurement and Contracts recommended to the Board of Light, Gas and Water Commissioners award of Contract No. 11078, Professional Claims Adjusting Services, to Horton & Associates in an estimated funded amount of \$160,000.

The project scope is to provide a professional services contract for claims adjustment services for MLGW as requested, including claims against MLGW involving vehicular accidents with personal injuries and/or property damage, and claims by MLGW for damages to its property and utility infrastructure.

It was moved by Commissioner Clark, 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 No. 11078 to Horton & Associates in an estimated funded amount of \$160,000 as outlined in the foregoing preamble is approved; and further,

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

20. Commissioner Clark requested a supplemental report from Public Financial Management regarding the extent to which other utilities involve their Unions in contracting decisions.

21. Commissioner Clark requested the legal opinions that had been collected regarding MLGW job postings, and Commissioner Taylor asked if MLGW files reports with the OFCCP (Office of Federal Contract Compliance Programs.)

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

SEE MINUTE FILE NO. 1273.

Secretary-Treasurer