

MINUTES OF MEETING
of
BOARD OF LIGHT, GAS AND WATER COMMISSIONERS
CITY OF MEMPHIS
held
November 16, 2006

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, November 16, 2006 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; 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.

Commissioner Clark moved that after personally reading and reviewing the typed minutes of the Memphis Light, Gas and Water Board meeting held November 2, 2006, and minutes of Item No. 22 of meeting of September 21, 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 November 7, 2006, Item Nos. 24 through 33, approving items approved by the MLGW Board at its meeting held October 19, 2006 (See Minute File No. 1286).

Jozelle Booker, Interim Director, Corporate Communications, made a presentation to the Board on EnergySmart Memphis.

WHEREAS, Memphis Light, Gas and Water Division (MLGW) recognizes that its first obligation is to the benefit and welfare of the citizens of Memphis; and

WHEREAS, MLGW recognizes the need to reduce energy costs of its customers through education, training and demonstration; and

WHEREAS, the MLGW entire customer base will be educated on the relationship between energy consumption and utility costs; and

WHEREAS, MLGW has an obligation to balance the financial impact of reduced sales as a result of conservation with appropriate rates on an annual basis the long run costs of providing utilities reduced by conservation through the reduction in additional infrastructure required to deliver peak load and the more efficient use of MLGW's less costly existing distribution facilities; and

WHEREAS, through the EnergySmart Memphis Program, a year long energy education and home improvement initiative designed to help Memphians save money on their energy costs, an estimated 3,000 MLGW customers will receive in-depth energy conservation training, with some pre-determined customers to have weatherization improvements made to their home free of charge; and

NOW, THEREFORE, BE IT RESOLVED, that Memphis Light, Gas and Water Division joins other local government and community organizations which include: TVA, City of Memphis, Community Housing and Development organizations, Shelby County Government Community Services Agency, MIFA, United Way of the Mid-South and local churches, in launching EnergySmart Memphis on November 16, 2006.

It was moved by Commissioner Clark, seconded by Vice Chairman Evans, and unanimously approved that the Resolution be adopted.

1. The Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners that it award Contract No. 11138, Building Addition for North Service Center Building #3 and Hickory Hill Customer Service Building, to Hasco, Inc., in the funded amount of \$163,300.

The project scope is to construct building additions at MLGW's North Service Center Building #3 located at 1060 Tupelo and MLGW's Hickory Hill Service Center Customer Service Building located at 6012 Winchester in Memphis and Shelby County, Tennessee.

Proposals were received on October 18, 2006, for Building Addition for North Service Center Building #3 and Hickory Hill Customer Service Building, Contract No. 11138, with the lowest and best being Hasco, Inc.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11138 to Hasco, Inc. in the funded amount of \$163,300, 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 Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners that it award Contract No. 11139, Training Center VAV & Control Upgrade, to CS3, Inc., in the funded amount of \$173,900.

The project scope is to replace all VAV terminals with DDC Controls at MLGW's Joyce M. Blackmon Training Center located at 4949 Raleigh LaGrange Road, Memphis, Tennessee 38128-6016.

Proposals were received on October 18, 2006, for Training Center VAV & Control Upgrade, Contract No. 11139, with the only bidder being CS3, Inc.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of Contract No. 11139 to CS3, Inc. in the funded amount of \$173,900, 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 Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners that it award Contract No. 11157, Street Light Poles Mapping and Audit Project, to Furr and Associates, Inc., in the funded amount of \$449,280.

The project scope is to provide street light pole attribute data to support the development of a new layer of MLGW records mapping. The data collected will be provided in electronic format for storing and mapping street lights on MLGW's Facility Information System.

Proposals were received on August 31, 2006 for Contract No. 11157, Street Light Poles Mapping and Audit Project, with the best of three proposals being submitted by Furr and Associates, Inc.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Award of Contract No. 11157 to Furr and Associates, Inc. in the funded amount of \$449,280, as outlined in the foregoing preamble, is approved; and further,

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

4. The Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners that it approve Change No. 3 on Contract No. 10766, Employee Benefit Dental Plan with Delta Dental Plan of Tennessee, in an estimated funded amount of \$1,697,725.08. The estimated amount is funded by the MLGW Medical Benefit Fund.

The new contract amount is \$2,927,221.08. This renewal covers the cost to renew the contract from January 1, 2007 through December 31, 2007 for the third term in the Preferred Provider and Premier dental plan for active employees and retirees. MLGW will continue to contribute \$10 towards the monthly premium for active employee plan participants who select the Premier or the Preferred Dental plans.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 3 to Contract No. 10766 with Delta Dental Plan of Tennessee, in an estimated funded amount of \$1,697,725.08, is approved; and further,

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

5. The Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners Change No. 5 to Contract No. 10839 Temporary Personnel Services with neMarc Professional Services, Inc./OmniPro Staffing & Consultants to change the name to neMarc Professional Services, Inc.

The project scope is to allow neMarc Professional Services, Inc. to continue to provide temporary personnel services. This change is due to neMarc Professional Services, Inc. assuming all responsibilities relative to Contract No. 10839.

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

THAT, Change No. 5 to Contract No. 10839 with neMarc/Omni Pro Staffing in the name of neMarc/Omni Pro Staffing to neMarc Professional Services, Inc., 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 Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners that it approve Change No. 4 to Contract No. 10871, HMO Benefit Group Agreement with Aetna U.S. Healthcare, Inc., in an estimated funded amount of \$1,153,972.68 with an increase in both the medical and dental plans. The estimated amount is funded by the MLGW Medical Benefit Fund.

The new contract amount is \$6,155,357.68. This renewal covers the costs to renew the contract for a fourth term, beginning January 1, 2007 through December 31, 2007 and reflects an increase of 9.6% in the medical rates and an increase of 4.0% in the dental rates.

The rate schedule is as follows:

	MEDICAL	DENTAL
Employee	\$ 450.14	\$ 25.27
Employee + Spouse	\$ 915.89	\$ 36.10
Employee + Children	\$ 869.35	\$ 46.95
Employee + Family	\$1,397.14	\$ 65.92

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 4 to Contract No. 10871 with Aetna U.S. Healthcare, Inc., in an estimated funded amount of \$1,153,972.68 is approved; and further,

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

7. The Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners Change No. 5 to Contract No. 10878,

Information Services Support with KC Management Group to change the billable rate for Associate Information System Specialist from \$25 per hour to \$15 per hour.

The project scope is to allow KC Management to continue to provide personnel for technical information support. This price change is due to the need to expand the current rate schedule which would include personnel at a lower rate.

It was moved by Commissioner Taylor, seconded by Commissioner Clark, and carried, with Vice Chairman Evans abstaining:

THAT, Change No. 5 to Contract No. 10878 with KC Management Group in the rate schedule change of the minimum billable rate for Associate Information System Specialist from \$25 per hour to \$15 per hour, 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 Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners Change No. 2 to Contract No. 10879, Information Services Support, with Computer Horizons Corporation to change the billable rate for Associate Information System Specialist from \$25 per hour to \$15 per hour.

The project scope is to allow Computer Horizons Corporation to continue to provide personnel for technical information support. This price change is due to the need to expand the current rate schedule which would include personnel at a lower rate.

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

THAT, Change No. 2 to Contract No. 10879 with Computer Horizons Corporation in the rate schedule change of the minimum billable rate for Associate Information System Specialist from \$25 per hour to \$15 per hour, 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 Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners that it approve Change No. 3 on Contract No. 10897, Medical Benefit Provider with CIGNA Healthcare, Inc., in an estimated funded amount of \$5,260,791.00 with a 4.4% rate increase. The estimated amount is funded by the MLGW Medical Benefit Fund.

The new contract amount is \$24,222,891.00. This renewal covers the cost to renew the contract from January 1, 2007 through December 31, 2007 for the eleventh term.

The rate increase is as follows:

Employee	\$ 373.03
Employee + Spouse	\$ 811.64
Employee + Children	\$ 616.72
Employee + Family	\$1,047.53

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 3 to Contract No. 10897 with CIGNA Healthcare, Inc., in an estimated funded amount of \$5,260,791, is approved; and further,

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

10. The Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners, Change No. 1 to Contract No. 11051, Roof Maintenance, with B Four Plied, Inc. to renew the contract for the first term of four renewals beginning January 1, 2007 to December 31, 2007 in an estimated funded amount of \$80,000.

The project scope is to perform roof maintenance work on various MLGW buildings within Memphis and Shelby County, Tennessee and to renew the contract for the first term of four renewals beginning January 1, 2007 to December 31, 2007 in an estimated funded amount of \$80,000. The new contract amount is \$114,840.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, Change No. 1 to Contract No. 11051 with B Four Plied, Inc. in an estimated funded amount of \$80,000, as outlined in the foregoing preamble, is approved; and further,

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

11. The Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners Change No. 2 to Contract 11141, Information Services Support, with Viasys Technology, Inc. to change the billable rate for Associate Information System Specialist from \$25 per hour to \$15 per hour.

The project scope is to allow Viasys Technology, Inc. to continue to provide personnel for technical information support. This price change is due to the need to expand the current rate schedule which would include personnel at a lower rate.

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

THAT, Change No. 2 to Contract No. 11141 with Viasys Technology, Inc. in the rate schedule change of the minimum billable rate for Associate Information System Specialist from \$25 per hour to \$15 per hour, as outlined in the foregoing preamble, is approved; and further,

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

12. The Interim Manager, Procurement and Contracts, recommended to the Board of Light, Gas and Water Commissioners that it award the purchase of ground rods 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 12 months. During the length of this contract, quantities will be driven based on actual need for ground rods.

Bids were opened on October 11, 2006. The lowest and best complying bidder of three bidders was the firm of Stuart C. Irby. The approximate total for all items is \$79,200.

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

THAT, Subject to the consent and approval of the Council of the City of Memphis, award of contract as follows is approved furnishing:

Blanket contract for a 12-month period for providing ground rods to be furnished by Stuart C. Irby 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 Stuart C. Irby. A copy of all unit prices to be placed on file in MLGW's Accounting Department; and further,

The total award for 12 months amounts to approximately \$79,200 f.o.b. Memphis, TN, our dock, transportation prepaid; said prices being firm for the life of the contract with metals escalation/de-escalation to be applied over the 12-month period as applicable; terms are net 30 days; delivery as required.

13. The Secretary-Treasurer stated that the Pension Board, through its Investment Committee, had approved and was recommending to the Board of

Commissioners selection of Sector Capital Management, a large-cap equity investment manager, to manage approximately \$25,000,000 for benefit of the MLGW Retirement and Pension Fund.

The Secretary-Treasurer is authorized to negotiate and sign contracts satisfactory to MLGW for services of said manager with the usual provision for termination by either party upon 30 days written notice.

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

THAT, The Secretary-Treasurer is authorized to enter into contract with Sector Capital Management for benefit of the MLGW Retirement and Pension Fund as set forth in the foregoing preamble.

14. The Manager, Budget, Plant and Rates, informed the Board that the Municipal Electric System Tax Equivalent Law of 1987 has been in effect since July 1, 1987, and the Municipal Gas System Tax Equivalent Law became effective July 1, 1988. Both acts provide a uniform formula throughout the state establishing the maximum permissible in-lieu-of tax payments. The acts further provide that if the application of the new formulas would produce an amount less than the amount paid by the municipal utility for the twelve months ending June 30, 1987, the amount payable shall be under the prior formula. The same payments will be made until the new formula produces increased in-lieu-of tax payments.

A resolution of this Board was passed September 17, 1987, providing that on each July 1, or as soon thereafter as possible, the tax payments on the new formula for the Electric Division will be computed. A resolution of this Board was passed on November 17, 2000, that the tax payment under the gas formula shall be computed on each July 1 or as soon thereafter as possible.

Pursuant to the Tax Equivalent Laws of 1987 and 1988, the electric and gas calculations, having exceeded the amount paid for the twelve months ending June 30, 1987, will be paid in accordance with the new formulas.

THAT, The in-lieu-of tax payment to the City of Memphis shall be as follows:

<u>Date</u>	<u>Electric Division</u>	<u>Gas Division</u>
11/30/2006	\$26,147,400.36	\$10,442,205.89
04/30/2007	<u>7,993,512.91</u>	<u>5,175,452.59</u>
	\$34,140,913.27	\$15,617,658.48

The electric and gas in-lieu-of tax payments to the other cities in Shelby County shall be:

Electric Division

<u>City</u>	<u>11/30/06</u>	<u>04/30/07</u>	<u>Total</u>
Arlington	\$ 20,050.93	\$ 2,314.12	\$ 22,365.05
Bartlett	112,228.17	35,806.14	148,034.31
Collierville	99,871.63	16,333.73	116,205.36
Germantown	122,818.60	43,820.08	166,638.68
Millington	51,009.42	11,614.16	62,623.58

Gas Division

<u>City</u>	<u>11/30/06</u>	<u>04/30/07</u>	<u>Total</u>
Arlington	\$ 9,246.02	\$ 3,042.79	\$ 12,288.81
Bartlett	34,004.66	18,056.37	52,061.03
Collierville	35,072.48	20,981.50	56,053.98
Germantown	24,238.55	19,525.46	43,764.01
Millington	25,805.47	5,540.50	31,345.97

If, in the future, any adjustments are necessary because of the new formula, the adjustment will be made in the November payment.

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

THAT, The revisions set out in the foregoing preamble are approved.

15. The Manager, Budget, Plant and Rates, informed the Board that the Tennessee Code Annotated 7-34-115(a)(9) provides for an in-lieu-of-tax equivalent payment to be made to the City of Memphis, if the governing body of the municipality by resolution so requests.

The City of Memphis and Memphis Light, Gas and Water Division entered into a PILOT Agreement dated July 1, 2001, establishing that MLGW will make certain payments in-lieu-of taxes from the Water Division to the City of Memphis.

The City of Memphis adopted a resolution dated November 20, 2001, directing Memphis Light, Gas and Water to make a payment from the Water Division in-lieu-of dividend and ad valorem taxes to help reimburse the City for the services, improvements, facilities and other support provided by the City to Memphis, Light, Gas and Water Division.

The purpose of this resolution is to establish the in-lieu-of taxes to be paid by the Water Division to the City of Memphis. The Board authorizes the Division to make two equal payments to the General Fund of the City as payments in-lieu-of taxes or

tax equivalency payments with respect to the Water System for a total of \$2,500,000 with \$1,250,000 payable as soon as possible after November 30, 2006 and \$1,250,000 payable April 30, 2007.

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

THAT, The payments to the City of Memphis as set forth in the foregoing preamble are approved.

16. The President and CEO submitted for approval of the Board the following position numbers, per the attached documents (See Minute File No. 1287):

Position No. 01032, Utility Worker I
Position No. 01277, Utility Worker I
Position No. 01850, Utility Worker I
Position No. 02475, Helper, Electric Distribution (Pre-Apprentice)
Position No. 02869, Associate Information Systems Specialist I
Position No. 02916, Helper, Electric Distribution (Pre-Apprentice)
Position No. 03265, Helper, Electric Distribution (Pre-Apprentice)
Position No. 03775, Coordinator, Building/Facilities 2
Position No. 03845, Coordinator, Building/Facilities 3
Position No. 04308, Coordinator, Building/Facilities 3
Position No. 05708, Drafter I
Position No. 06123, Assistant Manager, Budget, Plant and Rates
Position No. 06124, Machine Operator (Water)

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

THAT, Position numbers 01032, 01277, 01850, 02475, 02869, 02916, 03265, 03775, 03845, 04308, 05708, 06123 and 06124, as listed in the foregoing preamble, are approved.

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

An 8-foot wide electric distribution utility easement recorded under Instrument Number J5-7620 in the Register's Office of Shelby County, Tennessee across a parcel of land described in Instrument Number 04171227 in the Register's Office of Shelby County, Tennessee to Belz Investco GP, or its successor in title for the sum of \$1.00.

Property located on the southeast corner of Charles Bryan Road and Appling Farms Parkway.

An 8-foot wide distribution utility easement as recorded under Instrument Number M5-9900 in the Register's Office of Shelby County, Tennessee across a parcel of land described under Instrument Number JL-4308 as recorded in the Register's Office of Shelby County, Tennessee to Big Creek Apartments Partnership, or its successors in title for the sum of \$1.00.

Property located on the southwesterly side of Old Woodstock Cuba Road and on the southeasterly side of the Big Creek Drainage Canal.

An 8-foot wide distribution utility easement as recorded in Book 2873, Page 466 in the Register's Office of Shelby County, Tennessee across a parcel of land described under Instrument Number JL-4308 as recorded in the Register's Office of Shelby County, Tennessee to Big Creek Apartments Partnership, or its successors in title for the sum of \$1.00.

Property located on the south side of Woodstock Cuba Road, east of Locke Road.

An 8-foot wide distribution utility easement as described in Book 4623, Page 266 in the Register's Office of Shelby County, Tennessee across a parcel of land described under Instrument Number JL-4308 as recorded in the Register's Office of Shelby County, Tennessee to Big Creek Apartments Partnership or its successors in title for the sum of \$1.00.

Property located on the southerly side of Woodstock Cuba Road, approximately 4500 feet east of the centerline of Walsh Road.

Portion of a uniform Gas and Water easement as described in Book 3931, Page 279 in the Register's Office of Shelby County, Tennessee across a tract of land described under Instrument Number GK-0967 as recorded in the Register's Office of Shelby County, Tennessee to Finard Poplar Limited Partnership or its successors in title for the sum of \$1.00.

Property located on the Poplar Plaza Shopping Center on the northwest corner of Poplar Avenue and Highland Street.

It was moved by Commissioner Taylor, seconded by Commissioner Clark, 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 Interim Manager, Procurement and Contracts, requests the assignment of various purchase orders and system contracts to HD Supply Utilities, Ltd. which are still in effect to Tennessee Valley Electric Supply Company. MLGW has been advised that Tennessee Valley Electric Supply Company has been acquired by HD Supply Utilities, Ltd. and will honor the current orders and system contracts. It is the request of the Interim Manager of Procurement and Contracts that the Board approve amending these orders to be awarded to HD Supply Utilities, Ltd. All other terms and conditions will remain the same.

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

THAT, Awards for various commodities previously made to Tennessee Valley Electric Supply Company be amended to HD Supply Utilities, Ltd.

19. Marvin Winston, 8596 Stablemill Lane, appeared before the Board to discuss various matters.

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

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

SEE MINUTE FILE NO. 1287.

Secretary-Treasurer