

Marquette Board of Light and Power 2-09-16 MINUTES

2200 Wright St., Marquette, MI 49855 (906) 228-0311

A regular meeting of the Board of Light and Power was called and held on February 9, 2016. The meeting was called to order followed by the Pledge of Allegiance and roll call.

Present: Tom Tourville, Chair
Jerry Garceau, Vice Chair/Secretary
David Carlson
Jerry Irby
David Puskala

Absent: None.

Assistant Director – Utility Operations, David Lynch requested an addition to the agenda, item 6a which is in regards to an addendum agreement with Wartsila. J. Irby made a motion to approve the revised agenda, with support from D. Carlson, the Board unanimously approved.

1. Approval of the January 27, 2016 Regular Meeting Minutes:
J. Garceau made a motion to accept January 27, 2016 regular meeting minutes as presented. Motion was supported by D. Puskala and the minutes were unanimously approved by Board.
2. Approval of Bills Payable:
D. Carlson made a motion to approve the Bills Payable, totaling \$377,857.17. J. Garceau supported the motion and after discussion, Board unanimously approved the Bills Payable as presented.
3. Time for Public Comment:
There was no public comment at this time.
4. Financial Discussion – Helen LaFayette, Controller:
H. LaFayette presented the operating statement for the three months ending December 31, 2015 and the projected cash flow statement. Discussion followed on the various revenue items and operating expenses.
5. Recommendation to Award:
 - a. D. Carlson made a motion to authorize the Executive Director to sign the natural gas management services contract to Fellon McCord as presented, noting the actual contract is for \$2,500.00 a month or \$60,000 for the two years period, plus items 1(b) and 1(d) which reflect that there could be additional fees and services charged if mutually agreed items were added to the project. J. Garceau asked for clarification from K. Seavoy if there is any reason we need to have the additional items noted at this time. K. Seavoy stated that the additional noting of items 1(b) and 1(d) is not needed at this time. If there are additional fees and services, Mr. Kitti will follow the MBLP standard procedure of authorizing items that are under \$3,000 and will bring any items over \$3,000 to the Board for approval. The Chairman solicited a second but none was voiced. J. Irby made a motion to authorize the Executive Director to sign the natural gas management services contract as presented. This motion was

Marquette Board of Light and Power 2-09-16 MINUTES

2200 Wright St., Marquette, MI 49855 (906) 228-0311

supported by D. Carlson. It was noted that this company provides services for over 150 clients with 3,000 facilities nationwide including Lansing Board of Water and Light, Holland Board of Public Works and Michigan Public Power Agency. D. Puskala asked how staff settled on Fellon McCord rather than putting it out on competitive bids. D. Lynch responded that staff relied heavily on the recommendations of Michigan Public Power Agency, Lansing Board of Water and Light and the Holland Board of Public Works. Both Lansing and Holland have recently put in gas-powered generation. Ken Seavoy, MBLP legal counsel stated that because this was for professional services, competitive bids were not required. Mr. Puskala stated that he would like more information and would like the company to come to a Board Meeting and explain to the Board what they would be doing for us on a daily basis. D. Puskala also stated that if they were working for us on a month-to-month basis, he would fine with it but did not want to commit to a two-year contract. D. Lynch responded that Fellon McCord will be working to secure pipeline capacity with Northern Natural Gas, who owns the gas transmission system in this area. He explained that there is open capacity within the pipeline and Northern Natural Gas will go for an open season where people negotiate the price and space in the pipe. Fellow McCord will negotiate on our behalf to secure space in the pipe for us to run gas through it. Because of Mr. Puskala's comments, T. Tourville suggested making this letter a first reading. D. Carlson stated that P. Kitti would not have put it on the agenda if a decision was not needed now, as this decision is important for this project to move forward. J. Garceau stated that over the last five years, he has learned to trust staff recommendations and he feels comfortable with making a decision tonight. J. Irby stated that considering we have hired quite a few consultants in the past, with timing being a factor for the project and we have recommendations from three entities in the State of Michigan, I am comfortable voting tonight. J. Irby stated due diligence has been done so we can move this issue forward. Board approved 4 to 1. D. Puskala voting nay.

b. A motion was made by J. Garceau to award authorization to Sargent & Lundy (S&L) to proceed with New Generation Detailed Engineering Services Phase 5, for the total "not to exceed" amount of \$644,636.00. Motion was supported by J. Irby. T. Tourville asked H. LaFayette for the balance remaining to be paid in Phase 4. Discussion followed on the timing of invoices and payments and the timing of the bond proceeds. J. Garceau stated that this is a lot of money but another step in the process that needs to be done. D. Puskala commented that without the Utility Financial Solutions 10 year projections and Midcontinent Independent System Operator (MISO) study, he did not want to commit to this proposal. D. Puskala stated that the Board has not looked at a more regional solution, such as, the new generating facility being proposed by Invenegy and Cliffs Natural Resources or an expansion of the transmission system in the U.P. which American Transmission Company expects to have completed by 2020. D. Carlson stated that if we stop the project now, we are exposing our citizens to another winter without the serious ability to provide electricity that they need if we have an outage of major proportions. D. Puskala responded 'to make these continual decisions based on the fear that the power might go out is 'overblown', our situation is not that dire yet'. He said the process that we are using is flawed yet we continue to go down this path. Board approved 4-1. D. Puskala voting nay.

c. D. Puskala made a motion to authorize retaining Mostardi Platt to conduct the 30-day performance test for mercury emissions on Shiras Unit No. 3, for the amount of \$16,465.00. J. Garceau supported the motion. This test is required in accordance with the *National*

Marquette Board of Light and Power 2-09-16 MINUTES

2200 Wright St., Marquette, MI 49855 (906) 228-0311

Emission Standards for Hazardous Air Pollutants: Coal- and Oil-Fired Electric Utility Steam Generating Units (40 CFR 63 Subpart UUUUU). This test will become an annual requirement to qualify and maintain a status as a Low Emitting Electric Generating Unit for mercury emissions. This is a FY2016 fiscal year budgeted item. After discussion, Board approved unanimously.

d. J. Irby made a motion to award a contract to Ohio Lumex to conduct the parametric testing to evaluate the powdered activated carbon (PAC) products in controlling mercury on Shiras Unit No. 3 in the amount of \$45,470.00. Motion was supported by J. Garceau. Ohio Lumex submitted the lowest cost proposal meeting minimum standard qualifications. Director of Operations and Maintenance, Josh Hendrickson stated that in 2015, we received quotes to purchase our own continuous emission monitoring system but it was cost prohibitive, being approximately \$260,000.00 not including calibrations and maintenance so this option is a big savings. Sargent & Lundy will be evaluating the results of the PAC testing. After discussion, the Board unanimously approved the motion.

e. A motion was made by D. Puskala and supported by J. Garceau to award Clean Combustion and Energy the contract for testing and boiler tuning services on Shiras Unit No. 3 for the cost of \$32,425.00. The testing and boiler tuning services are required in order to comply with Environmental Protection Agency's Mercury and Air Toxics Standards (MATS) rule. Board approved unanimously.

6. Marquette BLP Energy Center - Bond Update:

T. Tourville indicated that he and J. Garceau attended a conference call with senior staff, legal counselors, and underwriters to discuss the bond process. T. Tourville stated that it was recommended to create a subcommittee of the Board and senior staff to facilitate this process. T. Tourville suggested that at the next Board Meeting this month, the Board come up with parameters for the subcommittee to work within certain guidelines, such as, terms, amortization and interest rate. H. LaFayette stated that she is working with Ehlers on a daily basis, Ehlers understand our timelines and are very aggressive in this process. Discussion followed on the progress of the ten-year financial projection report, approving and timing of the sale of the bonds and when proceeds would be available, opening a line of credit, obtaining two bond rating reports as opposed to only one which could possibly save 10 basis points potentially on the bond.

Assistant Director Utility Operations, David Lynch stated that last week, Sargent & Lundy notified us that there should be a considerable savings on the generation step-up transformers of approximately \$500,000.

a. Addendum to Wartsila Reservation Fee Agreement:

T. Tourville stated that Executive Director Paul Kitt, Consultant John Reynolds and Superintendent of Production Tom Carpenter are in Chicago today working with Sargent & Lundy and Wartsila representatives, and were successful in negotiating an addendum to the Wartsila Agreement. This is an Addendum to the Reservation Fee and Engineering Agreement with Wartsila which went into effect on November 4, 2015. Motion was made by D. Puskala, seconded by D. Carlson to authorize Board Chair Tom Tourville to sign the agreement. Board unanimously approved.

Marquette Board of Light and Power 2-09-16 MINUTES

2200 Wright St., Marquette, MI 49855 (906) 228-0311

7. Time for Public Comment:

Jorma Lankinen, 8 Marquette Dr., Marquette. Mr. Lankinen stated that he was present for the Joint City Commission and MBLP Work Session last night. He stated that he received some good information and from his prospective, the city commission does not want to put any additional requirements on the MBLP for approving rate increases in the future. He is so glad to see the Board moving forward on the project because time is of the essence. Last night, he learned that the hospital has only backup generators for only part of the hospital. I recommend the Board err on safety rather than having to choose who goes without power. Thank you.

8. Any Additional Business the Executive Director Wishes to Present:

Assistant Director – Utility Operations, David Lynch shared that he has over 130 people interested in the Community Solar Garden and he is planning his initial meeting with Michigan Energy Options to start working on the web site and moving forward with the project.

9. Any Additional Business the Board Members Wish to Present:

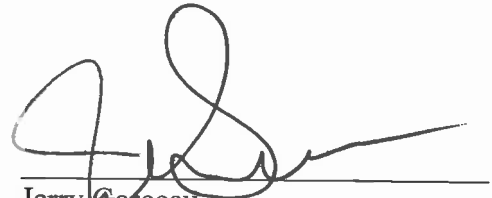
D. Puskala stated that as far as the current power situation, the whole U.P. has power availability problems. He indicated that Brett French has said that Presque Isle Power Plant is not going off line until this problem has been addressed. The risk to this community I think has been overstated to sell this project. Right now, we do not know what the MISO Study looks like and we do not have the updated 10-year financial projections.

J. Garceau shared some of his thoughts regarding the various teleconferences he has had with the bond company in recent weeks. He is impressed with how thorough they have been in their investigation of this project and this utility. Everything that I have heard from the outside world has been very positive in regards to our utility and this project. This bond company has to sell this so they are definitely doing their due diligence on this project. I am sure that this is very sellable or the bond company would not be involved in this if they thought this was a bad project.

D. Carlson said that he wanted to respond to some of D. Puskala's comments. While I have been on the board, those other options were being looked at and I don't have any kind of confidence that the current tie line could keep us going if Shiras has a severe problem. This was part of the reason why I am supporting the energy center. It is a big bite and it is unfortunate that everything costs so much these days. But if you break it into pieces like you suggested, doing it over three years, it will be more costly and might not be done at all. I was the one who fought the longest to buy just two Wartsila units but looking at the numbers and shipping costs, it just made sense to get the third one. As we look at the financial side of this process, it looks like it might come in significantly under budget than we projected. This could be a windfall for the community that could trickle down to the rate structure going forward. I have tried to follow the Invenergy project over the last few years with Cliffs and it seems like there is some big tussle going on. I would not be surprised if Invenergy pulls out of the project because it is too small.

Marquette Board of Light and Power 2-09-16 MINUTES
2200 Wright St., Marquette, MI 49855 (906) 228-0311

10. Adjournment:
The meeting adjourned at 7:23 p.m.



Jerry Garceau
Vice Chair/Secretary

Minutes of Regular Board Meetings are available at City Hall, the Peter White Public Library, or the MBLP Main office at 2200 Wright St., Marquette, MI 49855. The minutes can also be viewed at www.mblp.org.