

# Marquette Board of Light and Power 3-8-16 MINUTES

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

A regular of the Board of Light and Power was called and held at 5:30 p.m. March 8, 2016. The meeting was called to order by Board Chair Tom Tourville followed by the Pledge of Allegiance and roll call.

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

**Absent:**         **None**

Executive Director Paul Kitti requested moving Item No. 8 -- OEM Wartsila Contract Signing – to Item No. 7 due to Wartsila representatives’ travel schedules. It was moved by J. Irby, seconded by D. Puskala and unanimously carried to accept and approve the revised agenda.

1.     **Approval of the February 23, 2016 Regular Meeting Minutes.**  
A motion was made by D. Puskala to accept the February 23, 2016 Regular Meeting Minutes as presented. The motion was supported by J. Garceau. The minutes were unanimously approved.
  
2.     **Approval of Bills Payable.**  
A motion was made by D. Puskala and supported by J. Irby to approve the Bills Payable totaling \$628,993.32. The Board unanimously approved the Bills Payable as presented.
  
3.     **Public Comment.**  
Mr. Jorma Lakinen of 8 Marquette Dr., Marquette, thanked Superintendent of Production Tom Carpenter for a recent tour of the Steam Plant. He said he now has a better appreciation of what it takes to generate energy for our community.
  
4.     **Range Bank Letter of Credit Renewal.**  
Manager of Planning and Utility Compliance Erik Booth summarized the terms of the Corporate Resolution to Borrow Collateral issued from Range Bank which enables the MBLP to renew the Board’s letter of credit with the Michigan Department of Natural Resources (MDNR) and Environmental (MDRNE). J. Irby questioned the term of the letter of credit. E. Both responded the term depends on how long it takes to establish the wetlands. D. Puskala questioned if the MDNR can draw on the letter of credit if the target isn’t met. E. Booth responded in the affirmative. D. Carlson questioned the amount of the line of credit. E. Booth responded the line of credit amount is \$522,000. It was moved by J. Irby, seconded by J. Garceau and unanimously carried to approve the Corporate Resolution with Range Bank at a cost of \$850.

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### 5. **Bond Resolution/Pricing Committee – Ehlers Teleconference.**

A discussion with Board Financial Advisor Sean Lentz of Ehlers was conducted via teleconference regarding the bond resolution and establishment of a pricing committee. S. Lentz summarized the process for obtaining long term financing for the Marquette Energy Center. He said this resolution: uses the same parameters approved in December of bonds totaling \$79,790,000 including an interest rate not to exceed 6 percent and the bond term not to exceed 30 years, will also designate pricing committee members who will continue the negotiation process to finalize the terms and rates of the bond issue within the parameters outlined, conducting a meeting with Fitch and Standards & Poor to finalize the bond rating, followed by the marketing of the bonds by Merrill Lynch. Board Legal Counsels Ken and Tammy Seavoy commented on the elimination of bankruptcy language from the document as requested. D. Puskala commented a special meeting will no longer be necessary which was confirmed by K. Seavoy. J. Irby questioned the possibility of a 30 year bond term. S. Lentz said the bond parameters allow for a term of 30 years, but all current discussions have targeted a 20 year repayment schedule. D. Carlson commented a 30 year term is too long based on the age of Unit No. 3. S. Lentz said keeping the 30 year opportunity may result in a better long term solution for the Board. T. Tourville commented he is pleased that there are seven solid bidders interested in the Board's project. A motion was made by D. Puskala and was seconded by J. Garceau to approve the Bond Resolution authorizing the issuance of electric utility system revenue bonds including refined not-to-exceed parameters relating to the bond issue and that a pricing committee is being established to work with financial advisor Ehlers in the process of marketing and pricing the bonds. Committee members will include Board members J. Garceau and D. Carlson and MBLP staff P. Kitti, E. Booth and Controller Helen LaFayette and Ehlers representatives. The motion passed unanimously.

### 6. **Approval of Credit Rating Agencies – Ehlers Teleconference.**

Ehler Financial Advisor S. Lentz described the credit rating approval process via teleconference. He said having two ratings will help to get the best rates and term possible for the Marquette Energy Center (MEC) bond issue and that having two ratings on an issue this size is very common. He added both firms have good reputations and are well received in the market. J. Irby questioned where the initial fee of \$83,500 will be drawn from. Controller H. LaFayette responded the funds will be drawn from the utility's general receiving fund. S. Lentz said the rating agencies will require an annual surveillance of expenses. The annual fees will stop once the bond issue is paid in full. D. Puskala asked if the annual fees are fixed. S. Lentz responded the fees can go up or down. It was moved by J. Irby and seconded by J. Garceau to authorize the initial fees of \$83,500 and annual fees of \$12,500 in order to proceed with retaining Fitch and Standard & Poors (S&P) as the Board's bond rating agencies. The motion passed unanimously.

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7. OEM Wartsila Contract Signing – Gary Groninger from Wartsila.

Gary Groninger of Wartsila outlined the business history and customer base of Wartsila, the manufacturer of the new reciprocating engines for the Marquette Energy Center. Gary Routher reviewed the Equipment Supply Contract for the three (3) Wartsila engines. He said the current timetable is to ship the engines to Marquette in October with the foundations to be completed in November. The final design package is expected to be completed by April 15. He said Wartsila provides online support, technical advisors, startup and commissioning support and training on the equipment it provides. He said he met with MBLP and City staff to discuss possible haul routes for the 300 ton engines. Board Legal Counsel T. Seavoy was asked to comment on the contract process. She said the contract was well done and that they developed a good working relationship during the process. J. Garceau questioned when the engines become the property of the MBLP. G. Routher responded the equipment for insurance purposes becomes the MBLP's after all the testing has been done. J. Irby questioned the equipment warranty. G. Routher responded the equipment warranty is for 12 months. D. Puskala questioned payment for the Wartsila Equipment and the timing of receipt of the bond funding. T. Seavoy responded the equipment purchase can't go forward without the bond proceeds. It was moved by D. Carlson and seconded by J. Garceau to authorize award the Equipment Supply Contract for the supply of Power Generating Equipment and Services between the Marquette Board of Light and Power and Wartsila Northern America, Inc. totaling \$31,668,647 for the new MEC. The Board authorized Board Chair Tom Tourville to sign the contract on behalf of the Board. The motion passed unanimously.

8. Recommendation to Award Contracts for:

**a. Construction of Eight (8) Utility Pole Bunks for Distribution Dept.**

It was moved by D. Puskala and supported by J. Garceau to award the construction of eight (8) utility pole bunks for distribution and transmission poles in inventory to Marquette Machine and Fabricating per their low bid meeting specifications totaling \$17,840. The current pole bunks are in need of repair and modifications and will also need to be relocated due to the construction of the new Marquette Energy Center. The motion passed unanimously. D. Carlson questioned where the funds will be drawn from. Assistant Director of Operations Dave Lynch responded the funding will come from the general fund. Several budgeted distribution projects were cancelled to provide the funding. The motion passed unanimously.

**b. Reconditioning of Unit No. 3's Forced Draft Fan, Coal Mills 3A and 3D.**

On a motion by D. Carlson and seconded D. Puskala, the Board authorized awarding the reconditioning of Shiras unit No. 3's Forced Draft Fan, Coal Mills 3A and 3D motors to Malton Industrial Services Company per their low quote meeting specifications totaling \$10,025. The work will be done during the annual spring shutdown per a five-year reconditioning schedule for critical plant motors. The motion passed unanimously.

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### **c. One Year Service Contract for Supervisory Control & Data Acquisition System (SCADA).**

It was moved by J. Irby and seconded by D. Carlson to award a one (1) year service contract for the SCADA System to the sole supplier Survalent Technology in the amount of \$11,475. The contract includes telephone support, software upgrades and software repairs. Survalent can also set up to remotely access the SCADA System through the utility's fiber optic network for troubleshooting. The motion was unanimous.

### **d. Environmental Compliance Testing at Shiras Steam Plant.**

It was moved by D. Puskala and seconded by D. Carlson to award the Shiras Steam Plant emission testing program to AirTech Environmental Services, Inc. per their low quote meeting specifications in the amount of \$27,200. The testing is required to comply with various state and federal permit regulations including Relative Accuracy Test Audit Certification on the Continuous Emission Monitoring System equipment and quarterly particulate matter testing on Unit No. 3 and Unit No. 2 testing including NOx and particulate matter testing. The testing is a budgeted Fiscal Year 2016 item. D. Puskala commented on the bid ranges received. The testing is a budgeted Fiscal Year maintenance item.

### **e. Repair Work of Unit No. 3 Coal Bunkers.**

It was moved by J. Irby and was seconded by D. Puskala to award the Shiras Unit No. 3 Coal Bunker Repairs to The Jamar Company per their low quote meeting specifications totaling \$192,746. Routine inspections revealed a number of areas on coal bunkers A, B, C, and D that were degraded and in need of repair. The work will be performed during the annual maintenance shutdown of Unit No. 3. J. Irby commented on the wide range of bids. D. Puskala questioned the time and material rates for CR Meyer. T. Carpenter responded the companies have all worked for the utility in the past and have charged fair rates. He checks the rates vs. the time to do the work to measure cost effectiveness. The motion passed unanimously.

### **f. Upgrade of Unit No. 3 StackVision Software.**

It was moved by D. Carlson and seconded by J. Garceau to award the update to the Shiras Unit No. 3 StackVision software to Environmental Systems Corporation in the amount of \$4,200. Since StackVision is proprietary software of ESC, no competitive bids could be obtained. The motion was unanimous.

### **g. Analysis and Bridge Design Work on No. 2 Hydro Bridge.**

On a motion by J. Gaceau and seconded by J. Irby the Board awarded the No. 2 Hydro Bridge analysis to North Country Engineering per their low bid meeting specifications in the amount of \$5,250. Due to the number of large scale construction projects in the Marquette area, the MBLP has received a number requests to haul sand from the MBLP sand pit behind the No. 2 Hydro Plant. In order to allow heavy hauling of the sand an evaluation of the bridge is necessary to verify the structural integrity for heavy hauling. D. Carlson questioned the parameters of the low bid received. T. Carpenter said there was a previous evaluation made of the bridge which will be used in the new evaluation and recommended design fixes. He said North Country Engineering has provided engineering services regarding an evaluation of the utility's hydro bridge and is a Licensed Professional Engineer. He added he is confident they can do the work. J. Irby said the Board relies on the recommendation of staff overseeing the project. The motion was unanimous.

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### **h. Step-Up Transformer for Marquette Energy Center.**

It was moved by J. Irby and seconded by J. Garceau to concur with MEC Consultant Sargent & Lundy's letter of recommendation and award the purchase of one (1) new generator step-up transformer for the MEC to SPX Transformer Solutions, Inc. per their low quote meeting specifications totaling \$588,719. J. Irby commented positively on the transformer purchase cost savings for the MEC project. D. Puskala questioned waiting to buy the transformer until the bond proceeds are received. Project Manager John Reynolds commented delaying the purchase can hold up the project due to the long delivery time of the transformer. J. Irby concurred adding he was not willing to delay awarding the bid. The motion passed unanimously.

### **i. Conduct a Thermal Plume Study Update.**

On a motion by D. Carlson and seconded by J. Garceau, the Board authorized retaining LimnoTech to perform the thermal plume study update per their low quote meeting specifications totaling \$34,472. LimnoTech is also conducting the thermal plume studies at the Presque Isle Power Plant during the same time frame. The work is a Fiscal Year 2016 budgeted item. The motion carried unanimously.

### **j. Oversight Services of the Tourist Park Tainter Gate Repairs.**

It was moved by J. Garceau and was seconded by J. Irby to award overseeing the repairs of the Tourist Park tainter gates totaling \$22,000 to GEI Consultants. GEI Consultants proposed design repairs along with a construction plan and schedule were submitted to the Federal Energy Regulatory Commission in January of 2016 with repairs to be scheduled in July or August of 2016 during low river flow conditions. J. Irby asked for a description of the tainter gates. E. Booth said the gates are below the water line that raise to let water flow out. D. Puskala asked why GEI was selected. E. Booth responded the repair work was submitted to FERC based on GEI's design (QCIP) or Quality Control Inspection Plan. He said for hydro work he hasn't hired out the QCIP to a different firm because if one of the structures fails was it the design or improper construction and how do you find out? E. Booth said he has GEI's hourly rates and checks them to make sure they are fair. The project is a Fiscal Year budgeted maintenance item. The motion passed unanimously.

### **k. Dock Integrity Evaluation**

On a motion by J. Garceau and seconded by J. Irby, the Board authorized the award of the Shiras Dock Analysis to AECOM per their low quote meeting specifications totaling \$7,500 contingent upon the need by staff to unload the engines for the MEC on the dock. D. Carlson was concerned with the bid information presented for the Wartsila engines. T. Carpenter said the original construction of dock design is used and applied the margins of safety to see how close that margin is. This recommendation is for a first phase. If more needs to be done we will move on it after that. D. Carlson voted in opposition. The motion passed.

### **l. Replacement of Sump Pump in Shiras Ash House.**

It was moved by J. Garceau and was seconded by D. Puskala award the Shiras Steam Plant dewatering bin sump pump to Metso per their low quote meeting specifications in the amount of \$18,405. The existing sump pump is damaged and unrepairable. D. Carlson commented on the wide range of bids received. The motion was unanimous.

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8. **Marquette Energy Center Update.**

John Reynolds reviewed the payment sheet for the MEC. He said 7, 8 and 11 are all new categories. Funds were removed from categories of 9, 10 and 14. T. Tourville questioned if the lower price for the step-up transformer was reflected on the payment sheet. J. Reynolds said it will be reflected on the next updated sheet. He added that bids for the oil tank and engine hall went out today.

10. **Public Comment.**

Mr. Jorma Lakinen of 8 Marquette Drive, Marquette, congratulated the Board for approving the equipment purchase agreement with Wartsila. He thanked G. Groninger for educating him on the combustion ratios of the two fuels to be used – diesel and natural gas.

11. **Any Additional Business the Executive Director Wishes to Present.**

P. Kitti thanked Manager of Distribution and Engineering Karl Benstrom, Supervisor of Metering and Energy Program Kevin Downs and Executive Assistant/Community Relations Coordinator Noreen Collins for representing the utility at the annual Builder's Show. He said another 50 utility customers signed up for the Solar Garden while visiting the Builder's Show. P. Kitti acknowledged all the hard work by the staff and their tireless efforts during this exciting time for the utility with the new generation and Community Solar Garden projects. He also thanked attorney Tammy Seavoy for her work reviewing project contracts and Board resolutions and attorney Laura Reilly for filling in during the absence of Board legal Counsel K. Seavoy, all of the Kendrick's Bordeaux Law Firm. P. Kitti asked T. Carpenter to outline the schedule for the upcoming annual maintenance shutdown of Unit No. 3. T. Carpenter said the maintenance shutdown will be for a week and a half with Unit No. 3 anticipated to be back on line March 23. The A test run of the Combustion Turbine is also scheduled.

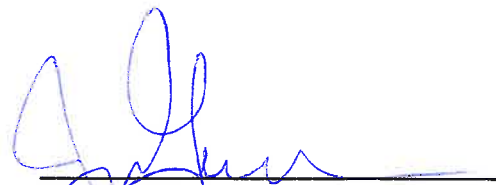
12. **Any Additional Business the Board Members Wish to Present.**

J. Irby and T. Tourville thanked staff for helping with the additional workload. J. Irby questioned the status of an all-electric rate. E. Booth said the 10 year projection model and solar rate are the current priorities before the all-electric rate work.

D. Carlson said he is interested in the cost per kilowatt for the new engines when using fuel and natural gas. G. Groniger of Wartsila said he could get that information.

13. **Adjournment:**

The meeting adjourned at 8:07 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](http://www.mblp.org).