

Marquette Board of Light and Power 7-12-16 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 July 12, 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
Jerry Irby
David Carlson
David Puskala

Absent: None.

J. Irby made a motion to approve the revised agenda as presented, supported by D. Puskala and unanimously approved by the Board.

1. **Approval of the June 28, 2016 Regular Meeting Minutes and Work Session Meeting Minutes on June 28 at 1 p.m., June 28 at 4 p.m. and June 29, 2016:**

D. Carlson made a motion to accept June 28, 2016, 1 p.m. Work Session meeting minutes as presented, supported by J. Garceau and unanimously approved by the Board. Regarding the Work Session Meeting minutes on June 28 at 4 p.m., J. Garceau made a motion to accept minutes. D. Carlson supported the motion with one revision (item 2, delete the words “from the utility’s point of view” from the first sentence. Board unanimously approved the revised meeting minutes. J. Irby made a motion to accept the regular board meeting minutes from June 28, as presented. With support given by J. Garceau, the Board approved unanimously. D. Carlson made a motion to accept the June 29, 2016 Community Forum meeting minutes with five revisions: page 2, item 2, last line, replace “create” with “propose” and insert “on their own property” after the word “install”: on page 3, item 5, first sentence he requested some revisions to his statement: insert “indicated that he thinks fairness requires us to” after “grandfathering question and” and in the last sentence, replace “with the” to “we need to take up the” and replace “helps address” to “addresses”. J. Garceau supported the motion with the stated revisions and the Board unanimously approved the revised minutes.

2. **Approval of Bills Payable:**

J. Irby made a motion to approve the Bills Payable as presented, totaling \$529,970.22. Motion was supported by D. Puskala and the Board unanimously approved the Bills Payable as presented.

3. **Public Comments:**

Earl Robinson, Township’s Utility Review Committee Member, stated that Greg Seppanen contacted him and he would like to be included in an Adhoc Committee for the Solar Project, if the Board decides to create a committee.

4. **Consent Agenda Discussion:**

J. Irby explained that this is an item that governmental bodies have used throughout the course of time and what it does is allows the administration, with the direction of the board

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chair, to put items into consent form for the Board to approve as a body. All of items in the consent form would be for example, items 6a to 6e on our current agenda, which would be voted on with one motion to approve. At the beginning of a meeting, board members would have the opportunity to move items off of the consent agenda to the full agenda, if they wanted to discuss an item. He then brought up the issue of a monetary amount that would be used for letters on the consent agenda and suggested \$15,000.00. He said one of the main reasons to do this is not to exclude any items to be discussed but would give the Board more time to address our financial situation and items Dawn Lund, Utility Financial Solutions presented in her report. Assistant Director-Utility Operations, David Lynch stated that the current amount is \$3,000.00, which was established in the 60's and with this amount; it takes quite a bit of staff time to prepare board letters and makes for a lengthy agenda. D. Lynch provided the Board members with the City's Code of Ordinances, Sec. 2-501 Purchases or contracts \$25,000.00 or less and Sec. 2-502 – Purchases or contracts over \$25,000.00 which was adopted on June 10, 2013. D. Lynch stated if the amount was raised, staff would still follow the guidelines of getting at least three quotes and awarding to the best value supplier, as stated in the ordinance, but it would significantly free up staff time. T. Tourville stated that when the city revised their charter, that was one of the items that was changed from the \$3,000.00 to \$25,000.00. D. Puskala stated that we are talking about two different things, consent agenda and revising the monetary amount. The items will still be placed on the agenda and the Board will still be provided with the documentation but it would be approved in one motion. J. Irby made a motion to adopt the concept of a consent agenda, D. Puskala seconded and Board unanimously approved.

Next, the Board addressed the monetary amount for items to be brought and approved by the Board of Directors. After discussion with staff, J. Irby made a motion to adopt the same monetary amounts as the City's Code of ordinances Sec. 2-501 and Sec. 2-502 adopted on June 10, 2013, regarding purchases and contracts \$25,000.00 or less and over \$25,000.00, respectively, and at the discretion of the Executive Director. D. Puskala supported the motion and the Board unanimously approved the change.

5. **Recommendation to Pay for Adjustment and Alignment Work on Tourist Park Hydro:**
J. Garceau made a motion to approve the payment of \$16,693.19 to CR Meyer and Sons for work performed to adjust bearings and align the generator shaft on the Tourist Park Hydro. Motion was supported by D. Puskala and unanimously approved by the Board. Director of Generation and Engineering Services Tom Carpenter gave the Board an update on the work that was performed.
6. **Recommendation to Award Contract for:**
 - a. **Update the Electric System Study and Five Year Plan.**
J. Irby made a motion to award the contract to update our Electric System Study and Five Year Plan to GRP Engineering in the amount of \$8,400.00. GRP Engineering completed the Distribution and Coordination Study in 2013 and will be able utilize some of that information. Motion was supported by D. Carlson and the contract was unanimously approved by the Board.

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b. Update Dam Safety Surveillance and Monitoring Plan for Forestville Hydroelectric Plant.
A motion was made by J. Garceau and supported by J. Irby to award the update of the Dam Safety Surveillance and Monitoring Plan (DSSMP) for the Forestville Hydroelectric Project to AECOM in the not to exceed amount of \$3,900.00. The DSSMP is a requirement of Chapter 14 of the Federal Energy Regulatory Commission's Engineering Guidelines for the Evaluation of Hydropower Projects. Board unanimously approved the proposal.

c. Purchase of two (2) Immersion Tank Heaters for MEC Project.
On a motion made by J. Garceau and supported by D. Puskala authorization was granted to award Chattanooga Boiler and Tank the contract to supply and install two (2) 50 kW immersion tank heaters for the MEC in the total "not to exceed" price of \$62,633.00. Board approved unanimously. Sargent & Lundy consultant, Ken Mixer was on a teleconference call to answer questions from the Board.

d. Modification of the MEC Engine Hall Moffitt Vent System.
J. Irby made a motion to award CR Meyer, the change order to modify the Engine Hall Moffitt Vent System in the total "not to exceed" price of \$21,157.40. This additional cost will be deducted from the General Work Contract Budget. Motion was supported by J. Garceau and unanimously approved by the Board.

e. Five Outdoor Air Handling Units and Controls of Engine Hall.
On a motion made by J. Irby and supported by J. Garceau to award the contract to supply the Air Handling Units and Controls of Engine Hall to Trane in the total "not to exceed" price of \$518,470.00. Trane provided the lowest priced proposal that met all required air handling unit specifications. Ken Mixer stated that this price is \$283,956.00 over the original cost estimate that was completed before Wärtsilä was picked as the equipment supplier. This overage amount is compensated by several General Work Contract line items that will not be required which was a total savings of \$1,014,975.00. Ken Mixer also stated that the contingency fund for the project started at \$6,400,000.00 and is now \$6,580,000.00. T. Tourville stated that it is important that we maintain the contingency fund and hopefully, we will not need to use it. After discussion, Board unanimously approved the contract.

7. **Marquette Energy Center Update:**

a. Ken Mixer, Sargent & Lundy LLC.

Ken stated that he gave the update while answering questions in regards to item 6.c, 6.d and 6.e so he did not have anything further to add. K. Mixer exited the meeting via teleconference.

b. David Lynch, Assistant Director-Utility Operations.

D. Lynch stated that Hardman Construction who has installed concrete piles will be done today. The pile testing will be done next week on Monday and Tuesday and then will be submitting results to Sargent and Lundy for approval. If they are approved by Friday, Hardman Construction will be demobilizing the following Monday and Tuesday and will be out of here on July 26th. J. Irby was here last Wednesday for a preconstruction meeting with Miron Construction. They will begin mobilizing tomorrow with construction trailers and so forth. They are planning on starting excavations on the 18th of July and beginning building

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foundation work on July 20. They will also start with the underground piping work on July 20th. D. Lynch stated that permanent fencing will be installed beginning on August 1 to secure the project. We will begin weekly progress meeting here on Wednesday afternoons at 2 p.m. if any board members want to come in and see what we are doing. T. Tourville stated that the auger pile casting was done a little ahead of schedule. D. Lynch shared that they did have to add 10 piles to the job.

8. **Unit Two Update – Tom Carpenter and Josh Hendrickson:**

Director of Generation and Engineering Services, Tom Carpenter along with Director of Operations and Maintenance, Josh Hendrickson gave the Board an overview report on what they found when they were doing some environmental testing on Unit No. 2. T. Carpenter informed the Board of some of the known problems and the estimated costs of repair. Board discussed at length the issue of Unit 2 and its value to the utility. It was stated that in January, 2017, Unit 2 will only be permitted to be used 10 percent of the time without significant expense to bring it up to environmental standards. D. Puskala stated that the Board and staff need to decide where Unit 2 fits in the utility's generation plan or picture. Is Unit 2 a viable generating unit considering it's age and condition? T. Carpenter stated that Burns and McDonnell did a Power Supply System Analysis in 2013 assuming Unit 2 would not be available for generation. After discussion, the Board requested staff to put together a recommendation report as to the cost of repairs and what is recommended for the future of the unit. It was decided that staff would bring the report to the Board at the August 30 Board Meeting.

9. **Board Discussion – Solar Renewables Valuation Study:**

After having two sessions with Chris Lund, Utility Financial Solutions and the public in regards to the Solar Renewable Valuation Study, T. Tourville requested this item to be included on the agenda. T. Tourville stated he wanted the Board to have some general discussions about the Solar Garden and what steps to take, moving forward. D. Lynch stated that he has been getting comments and suggestions from the public but it will be a Board decision to make this a cost-based endeavor or incentivize it to support it. Right now, T. Tourville said the MBLP has 11 or 12 customers who are on the current pricing where they are getting full retail rates. He stated that D. Lynch has been working hard for some time with the Community Solar Garden, getting all the costs and the design and is going very well. Now, we are at a point where we need to address what type of rate structure we want to have with this project. T. Tourville stated, "In my mind, this is something we do not want to rush, we really want to arrive at a careful decision." T. Tourville said that we want to come up with a long-term, renewable energy solution policy/plan that best fits our utility and our community. In general, the Board felt they needed much more information before making a decision. J. Irby suggested that the Board form an Adhoc Committee appointed by the Chair to go out do some research and bring their findings back to the Board. This is such an important topic for us as a Board and for the community, we need more information. We need a group of people who do not have a vested interest in the outcome willing to sit on a committee. D. Carlson stated that, as a Board we don't have a good sense of what was built into the UFS study to come up with the 5-cent number as compared to what we have now with net metering. (Actual UFS numbers are 6.33 cents, 6.64 cents and 7.34 cents.) I have not seen anything at all that explains why we have that difference and what goes in to it. D. Puskala responded that part of the reason for that is it is not a straightforward topic. He

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requested the staff put together a report of what are the factors that UFS worked with to bridge that gap. D. Lynch stated that at this point, if you want to put in solar, you are not doing for an investment to make money off of it. My system that I put on my house, unsubsidized would take 47 years to pay itself off. Without the tax benefits and subsidizes from Wisconsin Public Power, it would not have made any sense for me to put in the system. Because of the subsidizes, more and more people put in the systems which drove the costs down, which is what we are seeing now. This Solar Garden was driven by ideas and requests from customers who contacted us; it was not something we set out to do on our own. D. Lynch clarified some the cost components from an unbundled rate; maintain distribution lines to the homes and it very complicated. D. Puskala stated that from the study, there are a lot of costs that are not avoided by putting on solar and it is very complicated when figuring out the rates. He stated that we need to be aware of what our responsibilities are to all our ratepayers on the system and not necessary worried about the interest of renewables. We need to make decisions that keep our system intact. J. Irby stated that we have a lot to learn before we can make any decisions and that is why I think we should form an Adhoc Citizen Committee and give them a set time to bring back a recommendation to us. D. Carlson stated that we need more information from UFS Study that helps us identify what the factors are that made the big difference between net metering policy we now have and what is being proposed in the study. T. Tourville stated his understanding was to start with the pure financial value that solar gives the utility system and UFS's Chris Lund gave that to us. But in his analysis, he did leave an empty column for the Board and community to add any other value that they see fit. He then agreed with J. Irby's comments in an Adhoc Advisory Committee with an X number of people who will be charged, in a stated amount of time, with providing the Board with more information, doing some research and providing the Board with recommendations. We are a unit of government; we need to dig into this more. J. Irby stated that he is not going to make a motion for the committee tonight but he does want the board to think about it. D. Puskala asked D. Lynch what he needs from the Board. D. Lynch basically he needs to know what the rate will be. Discussion followed on grandfathering the customers on the system now and what is the time line on moving forward with the solar project. E. Booth stated that when you set up the rates properly, we should not fear increasing solar. E. Booth then gave an example when a customer in a three-week time period uses 200 Kwh and send back 600 Kwh then you have something to worry about. That is why it is critical that the rates are set up properly. D. Puskala stated that the people who do not want solar or cannot afford solar should not be paying for the people who do want solar and can afford the investment. D. Lynch stated that when you set this up and you have a 25-year life span on the system, that the customer will recoup their investment prior to that life span ending. T. Tourville said folks that are interested in this as an investment that is not what this is about. They should view it as I want to get my return on investment over the life of the panel. D. Lynch agreed and added you want to offset your purchase of energy generated by fossil fuels by a different source and this will allow the folks that opportunity. D. Puskala stated that we cannot subsidize this project. E. Booth gave example: when you put solar on your house and you put more than you consume, in essence, you are a mini grid, the MBLP can buy off of the grid for \$40 MW and right now we are paying them \$110 MW.

10. **Public Comments:**

Jennifer Hill – she stated that their system was built on their annual usage so we expect to be at net zero. We did not build our system to make money but to generate power for your own

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use. The rich people who can afford it will jump to renewable energy because the cost is low and we don't know what the cost of fossil fuels will be in 5 years, 10 years down the road. But having solar, we know what it is going to cost us 25 years down the road. On Thursday, Superior Watershed Partnership is cosponsoring an energy efficiency summit at NMU where representatives from the U. S. Department of Energy will be presenting the Rural and Island Community Study that was just published in June. This is the official government forecast on energy focusing on rural and island community problems we face. For instance, people in the Keweenaw are paying over 20 cents a KWH. She invited everyone to come to this all day, UP wide, event.

Jorma Lankinen 8 Marquette Dr. had the privilege to see the drilling of the piles. It was an interesting process. Thank you for allowing me to visit this site. As the Vice Chair of the Marquette County Landfill Authority, he stated that they have been working on saving landfill space for quite some time 'anytime you go green – it costs money' but through their work, they have about 100 years of landfill space.

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

D. Lynch informed the Board that Wakefield was hit with a tornado last night and suffered extensive outages. I reached out to them and they are looking for materials and some additional crews, which we will be sending out.

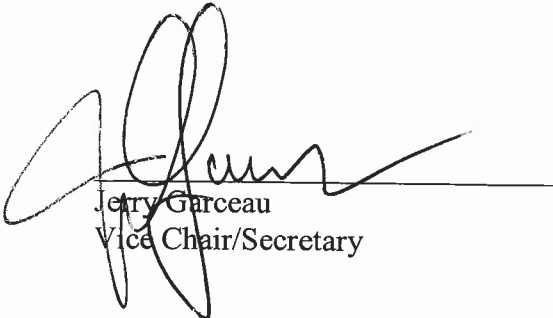
I had a customer call me to thank us for sending out a lineman on the 4th of July holiday. Jon Betz went out and restored power to their home and they were very happy.

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

D. Carlson mentioned, as far as he could see, Utility Financial Solutions puts no value on green energy, it is a negative.

13. **Adjournment:**

The meeting adjourned at 7:35 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.