

# Marquette Board of Light and Power 8-09-16 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 August 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  
David Puskala

Absent: Jerry Irby

D. Puskala made a motion to excuse Jerry Irby from tonight's meeting. Motion was supported by D. Carlson and unanimously approved by the Board. T. Tourville requested to change the agenda, moving item 6 to item 4 and vice versa. D. Carlson made a motion to accept the revised agenda, which was supported by D. Puskala, and the Board unanimously approved.

1. **Approval of the July 26, 2016 Regular Meeting Minutes:**

D. Carlson made a motion to accept July 26, 2016 meeting minutes with one revision, which was to move item 9a to item 10a. Motion was supported by D. Puskala and the revised minutes were unanimously approved.

2. **Approval of Bills Payable:**

J. Garceau made a motion to approve the Bills Payable as presented, totaling \$1,654,014.28. Motion was supported by D. Carlson and the Board unanimously approved the Bills Payable.

3. **Public Comments:**

No public comments at this time.

4. **Presentation on Factory Acceptance Testing on Engines and Generators – Paul Kitti and John Reynolds:**

Executive Director Paul Kitti and Consultant – Technical and Engineering Support, John Reynolds gave a presentation on the Factory Acceptance Testing of the Wärtsilä engines and generators. The Wärtsilä engines were inspected in Trieste, Italy and the ABB generators inspected in Helsinki, Finland. P. Kitti stated that all the testing met and exceeded the Wärtsilä Contract Guarantee Requirements. They both gave in-depth descriptions on the testing that was done and both were very impressed with the engines and the state-of-the-art facility. P. Kitti stated that the engines left Italy this morning and gave the Board information so they can track their passage to Escanaba. It is estimated that the engines will arrive in Escanaba on September 6, 2016. The generators, radiators and auxiliary equipment will be shipped from Rauma, Finland. All engines and generators are expected to arrive in Marquette around October 15, 2016.

5. **Marquette Energy Center Update:**

Ken Mixer from Sargent & Lundy gave an update on the progress of the Marquette Energy Center. He stated that all contracts have been out for bid except the general work contract. Sargent & Lundy's recommendations will be brought to the Board for approval at the August

## Marquette Board of Light and Power 8-09-16 MINUTES 2200 Wright St., Marquette, MI 49855 (906) 228-0311

30, 2016 Board Meeting. He stated that he has deleted two contracts from the project, Independent Inspection & Testing Contract and the Performance Testing Contract, which will be a savings of \$158,455.00. The reason being is that the individual contracted companies will be doing their own testing and Wärtsilä is responsible for all their performance testing so there is no need to duplicate. Sargent & Lundy will be reviewing all the test results. K. Mixer stated that the original contingency fund was \$6,392,000.00 and now is at \$6,384,398.05, so we have had to use very little of the contingency fund, thus far.

He gave a construction status summary. SEMCO has had the gas conditioning foundations installed. Miron has poured the concrete for the three engine foundations today and is getting the radiator foundation ready, using the frost-free structural fill, which will save quite a bit of money. Tomorrow they will be setting up the reinforcements and pouring the fuel oil tank foundation by this Saturday. Next, Chattanooga Boiler and Tank will be here to start the tank installation. This job will take approximately five weeks to install the tank and then they will paint it. Engines are coming to Escanaba on September 6 and having the foundations poured now is great because that gives us a lot of time for the concrete to cure. Timing is very important and we need to make sure we have everything in place for the install and everything delivered at the same time.

### 6. **Board Discussion – Solar Renewables Valuation:**

Director of Planning and Regulatory Affairs, Erik Booth informed the Board that he has been reviewing multiple solar rate studies and programs. Some studies have also been provided by members of the public. Currently, other states and electrical utilities are starting to identify and address the issues with the Net Metering structure that has been historically used to incentivize solar installations. He informed the Board that the ultimate goal of this process should be to properly set up a sustainable rate structure for the future. Twelve months of invoices for one of the BLP's distributed generating customers was presented to the Board. The invoices illustrated that even though power was supplied to the customer from the BLP, the solar panels produced enough energy that the customer ended up sending back more power than they consumed over the last five months, which resulted in bills for a negative amount. Discussion followed on the feasibility for an electrical utility (or any other business or organization) to provide a service and the customer's monthly bill ends being a negative amount. Additionally, some of these credits are turning into significant amounts and no formal policy has been developed on how to handle the credits. Therefore, the Board deliberated on how credit should be applied in the future and if customers should receive a check (if requested) for the negative account balance from excess energy provided to the utility.

D. Puskala stated that the concept behind net metering is to allow our customers to generate their own solar energy and not have to purchase all their electric needs from the utility. It was not intended to be a way to sell power back to the utility to justify the cost of installation. Net metering was intended to net the power used to zero. The system allows the customer to spin the meter backwards in the summer months, which gives them a credit for the winter months. D. Puskala stated that ideally in a certain time frame, i.e. 12 months, we would zero out the credit balance without cutting checks. D. Puskala made a motion to direct staff to roll credits forward and not to issue checks for credit balances on active net metering customer accounts. J. Garceau supported the motion and Board approved unanimously.

## Marquette Board of Light and Power 8-09-16 MINUTES

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

Discussion then followed on the language developed by the Board's attorney to inform potential customers considering solar installation that the current net metering policy may change and the Board cannot provide any assurances regarding future financial treatment of such installations. BLP Attorney, Ken Seavoy, clarified that his statement also included the background and where the Board is in the decision making process. D. Carlson shared concerns that the uncertainty in the statement may limit additional solar installations. D. Puskala described that this is only advising customers considering solar installations that the Board is in the process of evaluating the appropriate compensation of solar generating power to the BLP grid and that customers need to evaluate the economics based on the fact that they are generating power for their own usage and not potentially making money from the utility. D. Puskala made a motion to adopt the whole policy statement as written and adopt it as Board Policy. J. Garceau supported the motion and Board voted 3 to 1 with D. Carlson voting negative.

Staff requested Board guidance on what the net metering rate will be when the October 1, rate increase goes into effect. D. Carlson stated that he was not ready to make any decisions tonight on this issue and would like it to be brought up at the next board meeting. T. Tourville and D. Puskala stated that even though we want to take our time on the solar rate policy, a decision needs to be made on the current twelve distributed generating customers on the system.

T. Tourville directed staff to send out a letter to the current net-metered customers and inform them that the Board is working to arrive at a decision regarding the current, active co-generating customers. Discussion followed on making a decision before the October 1 rate increase. With a letter going out to these customers and the Board having three meetings before October 1, the Board and staff felt that would give the current distributed generating customers enough time to provide any comments and/or suggestions so that they can be taken into consideration before a final decision is made.

Lastly, E. Booth informed the Board that the American Public Power Association recently provided a webinar on industry rate trends and future rate structures. Historically utility customers have been categorized into rate classes based on similar usage patterns. However, customers with their own means of power generation no longer fit into the traditional rate classes because the usage patterns are now significantly different since they can both take and push power to the grid, with the utility only acting as an energy storage and backup generator. One concept that is being considered and adopted by some utilities is moving to a Distributed Energy Customer Rate Class rather than trying to fit distributed generating customers into the traditional rate categories. This is worth exploring in more detail and may be the best long-term sustainable structure for utility ratepayers.

#### 7. **Public Comments:**

Jim Becker 160 Chapel Ridge stated that he would be pretty unhappy if they are held to the \$.112 per kWh. He also stated from the information that he has read, if you produce more than you use, then after a 12-month period, the credit is just removed. I would certainly support that. We are not in this to produce electricity and sell it. Also, he stated that any

Marquette Board of Light and Power 8-09-16 MINUTES  
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costs to the utility should definitely be stated in a fixed charge regardless of the credits. At the end of year, if you overproduce, we use it or lose it.

Steve Waters, 1615 Gray Street, who has knowledge in renewable energy and sometimes assists in teaching classes at N.M.U. stated that he has been collecting net metering renewable energy policies from utilities in the Upper Peninsula area. He shared that a lot of these policies state that the customer is not allowed to be a power generating utility and the customer will be capped at a certain percentage over the annual usage, usually 10 percent. The 10 percent would be for someone who, after using the renewable energy for a while, might want to expand their electrical usage by buying an electric vehicle, replacing their gas lawnmower or their gas snow blower with electric models, in which case, their electrical usage would change. He suggested to the Board that they take and review some of the other net metering policies. As far as an utility paying the customer for credits on the account, he does not know of any utilities paying customers for the credits.

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

No comments at this time.

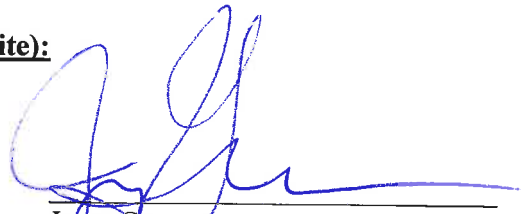
9. **Any Additional Business the Board Members Wish to Present:**

J. Garceau stated that he is glad that we made the decisions we did tonight and he appreciates the information from the audience. This process will take some time to sort out.

D. Puskala stated that he tends to agree with Jim Becker's comment on net metering that we zero it out after a certain amount of time, so we are not paying out and issuing checks. In regards to the twelve customers on net metering, I think we should keep them on the policy and include the zeroing out item and when someone leaves the area, if they have a credit, they do not receive a check.

10. **Adjournment (Board Tour of Construction Site):**

The meeting adjourned at 7:24 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).*