

Marquette Board of Light and Power 9-13-16 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 September 13, 2016. The meeting was called to order followed by the Pledge of Allegiance and roll call.

Present: Tom Tourville, Chair

David Carlson

David Puskala

Jerry Irby

Absent: Jerry Garceau, Vice Chair/Secretary

J. Irby made a motion to excuse Jerry Garceau from the meeting, due to illness. Motion was supported by D. Puskala and unanimously approved by the Board. T. Tourville appointed Dave Carlson as the acting vice chair/secretary for tonight's meeting. Executive Director Paul Kitti requested two additions to the agenda, items 4a and item 5a. J. Irby made a motion to accept the revised agenda, which was supported by D. Puskala and the Board unanimously approved.

1. **Approval of the August 30, 2016 Regular Meeting Minutes:**

J. Irby made a motion to accept August 30, 2016 regular meeting minutes, as presented. Motion was supported by D. Carlson and the Board unanimously approved.

2. **Approval of Bills Payable:**

D. Carlson made a motion to approve the Bills Payable as presented, totaling \$880,296.82. Motion was supported by D. Puskala and the Board unanimously approved the Bills Payable.

3. **Public Comments:**

Charlie West of 440 E. Prospect St. spoke to the Board in regards to his 2.5 KW solar panel system. He commented that he attended the special work sessions a couple of weeks ago and it was really informative and helped me to understand how solar looks from your perspective. Afterwards, I did send the Board a letter with some more information about our system. He wanted to speak about an editorial that was reprinted in the Mining Journal from the Petoskey News. It stated that rooftop solar provides a cushion for the generating capacity of power that you have to provide. Granted this is not always uniform but on a hot summer day when everyone is putting on their air conditioners, it does provide a certain cushion for the utility. This might be a reason for the utility to look at gentle as you craft a policy. The more people that have solar power, the bigger the cushion would be provided for the utility. This could be considered when crafting the policy, which would encourage solar energy rather than discourage.

Jennifer Hill stated she is speaking on behalf of Superior Watershed Partnership (SWP) at 2 Peter White Drive in Marquette. She read a letter from the SWP that was written by Carl Lindquist, Executive Director. The SWP has installed a 5.6 KW solar array this past May. She talked about the multiple factors that were evaluated before deciding to install these panels. Specifically, factors that were considered were the cost and price volatility of electricity, the return on investment, the opportunity to demonstrate renewable energy in the U.P. and the benefits to the environment and the Great Lakes. SWP applauds the MBLP for being proactive in bringing renewable energy into its system through the community solar

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project, which will allow more customers to participate directly. SWP encourages the MBLP to continue to base its policy and rate setting by looking at future trends, such as falling costs for efficiency and generation technology and battery storage. The letter states that the twelve customers who are currently generating wind and solar are a small percentage of the MBLP customer base and can be grandfathered in according to policies in effect at the time that their net metering agreements were signed. But going forward, new business models will need to be investigated and SWP would be glad to bring its project and policy expertise and networks to contribute to addressing these complicated issues. The SWP would like to work with the MBLP in developing options that will improve our community.

4. **Public Hearing on Fiscal Year 2016-2017 Budget:**

Controller Helen LaFayette stated that the summary budget in front of them is the budget that staff and the Board have been working on since June. Board Chair, Tom Tourville opened the Public Hearing. After no citizen comments were given, Chair Tourville closed the Public Hearing. J. Irby made a motion to accept and adopt the Annual Budget for Fiscal Year 2016-17, as presented. D. Puskala supported the motion. Discussion followed with questions from the Board Members. D. Carlson stated that because of the uncertainty of the new plant he is anticipating some changes to this Budget as time goes on. H. LaFayette stated that the numbers are from engineering information and is the best data we have right now. D. Carlson stated that he wanted to note that this is a difficult issue budget-wise to know with all the uncertainties. T. Tourville stated that there would be a learning curve this year because we are on new ground with this project. Prior years, we had a steady stream of predictability and lots of data to use. I think we will be in good shape. The Board unanimously approved and adopted the Fiscal Year 2016-17 Budget, as presented.

- a. **Draft Financial Policies:** Director of Planning and Regulatory Affairs Erik Booth stated that back in June, the Board approved Utility Financial Services to develop some financial policies for your review. This came about from recommendations from the Bond Rating Companies and also this year, it is one of the RP3 requirements. Attached to the letter are the UFS drafts developed for Operating Income Policy, Cash Reserve Policy and Coverage Ration Policy. E. Booth recommended that the Board look these over in the next couple of weeks, call staff if you need help going through them and then to hold a work session with the policy author, Dawn Lund, Vice President of UFS on September 27 at 4:00 p.m. via WebEx presentation. This will allow the Board to ask questions and gain a deeper understanding of the methodology that will be followed if these documents are approved by the Board. D. Puskala made a motion to schedule a Work Session at 4 p.m. on Tuesday, September 27 to review the financial policies with UFS. J. Irby seconded motion and Board approved unanimously the scheduling of the Work Session.

5. **Marquette Energy Center Update – Chuck Beitel:**

a. **Introduction of Wärtsilä Representatives and Sargent and Lundy Representatives.**

P. Kitti requested that Chuck Beitel introduce his staff that are present tonight at this meeting. P. Kitti that Sargent and Lundy has about 25 staffers working on this project, on weekends and the MBLP appreciates all their time and hard work. Mr. Beitel introduced Jason Janicki, Special Engineer working on the project, Mike Gross, Mechanical Engineer and Ryan Miller who is their Chief Designer. Also, there are a couple of Wärtsilä representatives are here tonight, Sam Lacey, site manager for Wärtsilä and will be here for the duration and Oskar

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Granqvist who is the logistics officer, trying to get the equipment here on time. Mr. Beitel stated that it is our pleasure to be working on this job and making this project a reality for operation next summer. He then gave a brief summary PowerPoint presentation of where things are as of today from an engineering procurement and construction standpoint. He showed the 3D slide with the project display of what the facility will look like. Recent progress on the project was covered in the presentation. CR Meyer has done a great job in fabricating the building components and will be shipping them out by the end of the month. Chattanooga Boiler and Tank are going a good job out there too, getting the tank construction done before the weather sets in. He stated that adjusting the whole procurement strategy once the timing of the bonding approval became known was a good move and is paying some dividends here in terms of awarding work earlier on the job. He then covered what will be happening in the near future. He spoke of the minor delay in Escanaba but the engines should be here before long. P. Kitti stated that he is very proud of the teamwork that Miron, Sargent & Lundy, Wärtsilä, SEMCO and Chattanooga are showing. All the trade workers are doing a lot of things out there, working extremely hard and working well together.

Oskar Granqvist from Wärtsilä then gave a PowerPoint presentation on the vessels and the schedule of the shipments to the project site. T. Tourville stated that this presentation helps to demonstrate how this equipment will be transported to the site and could possibly help in communicating this information to the community in the future. T. Tourville also stated that as he understands it, even though the trailer will take each engine one at a time down Wright Street and the weight of each of the engines are 697,000 pounds, the weight per tire, the psi will be less than an equivalent logging truck fully loaded so this will not have a negative impact on our roads. Mr. Granqvist stated yes that the weight is distributed over all the tires and they are taking extra precautions to be 110 percent sure that there is not a negative impact, such as bridging over critical infrastructure.

Sam Lacey completed the Alaska Project also. He has set 20 of these engines in the past. The biggest thing is getting the engines to the site and set on the foundation and everything after that is like clockwork. Oskar Granqvist said that he makes it look simple.

P. Kitti and J. Reynolds said that Sargent and Lundy has done a very nice job and financially we are in a great spot. T. Tourville stated that this project was a \$65 million project. At this point, we have awarded 17 of the 17 contracts, we are a third of the way through the project and the original contingency fund was set at \$6.4 million (this is part of the \$65 million). Right now, the contingency fund is \$6.7 million. How often do you hear of a unit of government, federal, state or local, undertake a large project where the project actually comes in where they started. T. Tourville stated that during Mr. Beitel's presentation, he alluded to some of the strategies that Sargent and Lundy used to help save some of those costs. This is really key, we are actually under-budget and so far, looking very solid for this project.

6. **Public Comments:**

Jack Gumaer, 720 W. Kaye Avenue in Marquette. He has been a solar generating customer since 2014. He stated that he has given verbal and written comment to the Board supporting that the current net-metering customers be grandfathered in with a buy back at retail rate and no monthly kilowatt charges. Tonight, he asked if the public would be able to see or comment on a draft that you are in the process of developing as far as you are going to handle

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current customers. T. Tourville stated that there are two different issues, the current net metering customers and what we will do in the future. The Board wanted to have two separate meetings for the public to come and state their comments and this is the second meeting. Then we take the comments and at our next meeting have Board discussion and let the public comment again and then deliberate. I would like to think after that discussion, the Board would be able to make a decision on the current customers. There are some details that the MBLP will want to consider, will the public be able to comment? D. Puskala said that if we are not ready to make a decision at that time, we would take more time. Mr. Gumaer then stated that there are also some technical considerations that Paul Kitti and Dave Lynch will want to be involved in to make sure it is implementable in a reasonable fashion. T. Tourville said that is a good point, thank you.

Jennifer Hill 503 Grove St. Are the comments submitted by the twelve people open to the public so the comments can be reviewed? Ken Seavoy, legal counselor stated that they will be in the meeting minutes. As a ratepayer, I really think that we should hire a film company to record the landing of the engines. I think you could sell that and make up all the money we are spending. This would be a great opportunity.

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

P. Kitti responded to some of D. Carlson's comments on the budget. It is a firm budget but it is an estimate based on revenues and expenses.

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

J. Irby referred to the meeting minutes from August 30, 2016, item 7 regarding the Noise Analysis Study and the sentence stating, "Even though the noise was within reasonable standards, the Board authorized S&L to work on this and by changing the stacks and radiators decreased the noise even lower." Mr. Irby stated, "This was a very important move that we made for our neighbors and friends in the township and I would like us to develop a PR segment to go out to the public and news media to let them know about his particular initiative because I think it is important for the whole community to know of the high standards that we have put into this project for the whole community to enjoy for sustainable power." This is a suggestion that I have for the administration to look at.

D. Carlson that this is really an evolving task to get to a final motion on the current solar policy.

T. Tourville welcomed our visitors from Wärtsilä and Sargent & Lundy.

9. **Adjournment (Tour of Construction Site for Board and Staff Members):**

The meeting adjourned at 6:37 p.m.



David Carlson
Acting 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.