

Marquette Board of Light and Power 9-27-16 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 27, 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
Jerry Irby

Absent: None.

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

1. **Approval of the September 13, 2016 Regular Meeting Minutes:**

J. Irby made a motion to accept September 13, 2016 regular meeting minutes, as presented. Motion was supported by D. Puskala and the Board unanimously approved.

2. **Approval of Bills Payable:**

D. Puskala made a motion to approve the Bills Payable as presented, totaling \$2,551,386.66. Motion was supported by D. Carlson and the Board unanimously approved the Bills Payable.

3. **Public Comments:**

Jorma Lankinen 8 Marquette Drive stated that he had the distinct pleasure of watching the move of the three Wärtsilä engines this past week, off the barge and all the mechanics that were involved in it. He was very impressed with the flawless transportation of the engines. This was probably for most of us, a once in a lifetime happening. Mr. Lankinen wanted to thank the Board and staff for everything that you did to make this happen.

Jack Gumaer, 720 W Kaye Ave. wanted to thank the staff for putting the recommendations together to provide reasonable accommodations to existing co-generation customers of which I am one. I would like to comment on the buyback electric rate and given that it is almost October and the proposed rate will be unchanged for the next fifteen years and during that time, the retail rate would likely increase, I recommend the policy and the buyback rate be as of October 1, 2016. My second comment is under the Credit Generated Section and it is really unclear of what is meant by that section. It was really unclear as to how that credit will be generated and I would some clarification on this. The third comment is there is no language preventing system kilowatt per hour capacity charges as proposed by the UFS and sometime should be enter in preventing that charge.

Jim Becker 160 Chapel Ridge Road asked if there is something on the table that has not been put out to the public. Will this be a decision night on the grandfathering issue? T. Tourville stated that we have received a recommendation from staff.

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4. **Financial Discussion – Tobias Smith:**
Tobias Smith gave a brief summary of the Operating Statement for the eleven months ending August 31, 2016 and the Projected Cash Flow Statement. Discussion followed.
5. **Recommendation to Approve Financial Policies developed by UFS:**
Director of Planning and Regulatory Affairs Erik Booth recommended approval of the three financial policies that were developed by Utility Financial Services. The policies are Operating Income Policy, Cash Reserve Policy and Coverage Ratio Policy. D. Puskala made a motion to adopt all three policies with J. Irby supporting the motion. D. Puskala stated what we heard at the Work Session today from Dawn Lund, Vice President of UFS made it was very clear that this is great method of making sure the utility stays on track in the future, especially in light of the Marquette Energy Center being brought on line. It is even more imperative that we efficiently manage the finances of the utility and these policies are a great roadmap for the Board to monitor on monthly, semi-annually and annually basis and making sure to stay on track. J. Irby stated that this is a business plan and everything is incorporated into this plan. P. Kitti stated that you are adopting the methodology tonight and not the numbers. J. Garceau suggested that the Board might want to set up a work session with the city commission to go over these policies and might help bridge the discussion when and if we go for another rate increase down the road. These will help justify any rate increase needed. I wish this would have been in place 20 years ago and would have made life a lot easier for the Board and the community. T. Tourville agreed with Mr. Garceau. Without a long-term financial plan, you are guaranteed to drift and end up where ever you end up. It is so easy for utility never to do rate increases, defer stuff, and kick the can down the road. The MBLP went 27 years without a rate increase. To the average customer this is great but how can a business be sustainable doing this. This will set the stage to be more disciplined and really look at this. In the end, this will help the utility be successful and ultimately protect our ratepayers. Board approved unanimously to adopt the three Financial Policies.
6. **Request Approval to Purchase Generic Service Credits to be applied to MERS Pension Plan:**
J. Garceau made a motion to approve the request from Ms. Jodi Smith to purchase seven months of generic services credits to be applied to her Municipal Employees Retirement System pension program. D. Puskala supported the motion. Executive Director, Paul Kitti stated that this within the plan document and language states that you can purchase up to five years. The employees pay 100 percent for the purchased time. Board approve unanimously.
7. **Recommendation to adopt Net Metering (Buyback) Policy for MBLP Existing Co-Generation Customers:**
T. Tourville stated that he is going to suspend the rules at this time and make item 7 a discussion only topic tonight without motion so we can get a lot of feedback. Erik Booth, Director of Planning and Regulatory Affairs, gave recommendations for existing co-generation customers that own installed generating assets prior to August 9, 2016. This was staff's best attempt at a fair and balanced Electric Interconnection Policy for existing co-generation customers. E. Booth stated that he is recommending a rate structure that is sustainable for the ratepayer and the utility. Staff has met with some of these customers, it was helpful to listen to their side of the story, and it gave staff an opportunity to share the problems with the current policy. E. Booth explained why staff chose the January 2016 cost

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of electricity rather than the October 1, 2016 cost of electricity. The community is making a huge investment in the Marquette Energy Center and the Board is raising rates 30 percent to cover that expense. The existing co-generation customers are not putting the MEC investment into their homes so to give them the 30 percent raise in the buyback would not be equitable to the other electric customers. The utility buys or generates power at roughly 4-5 cents a kilowatt-hour. The rest of the expenses that make up the remainder of the rate get invested into the utility infrastructure. E. Booth illustrated that the utility infrastructure consists of Shiras Steam Plant, 2 hydroelectric generating facilities, a combustion turbine, a transmission system with numerous substations, a distribution system and soon the Marquette Energy Center. The utility would be providing a premium buyback if it locked existing co-generation customers in at 11.2 cents a kilowatt-hour. However, it would not be prudent or equitable to charge all utility customers a 30 percent increase in rates and provide an additional 30 percent increase in the amount paid to existing co-generation customers. Right now, the credits apply to every line item on the bill; staff's recommendation is that the credits only apply to the energy they use. The grandfather term of 15 years from the date of adoption of this policy was recommended.

T. Tourville asked E. Booth to address Mr. Gumaer's question regarding the \$/kW charge of installed solar. E. Booth responded that this was one of the benefits in taking time to evaluate the solar valuation study and let the public participate in the process. Comments received by the public did not favor a \$/KW charge of installed solar. After review of those comments and evaluating the impacts, staff will not be recommending a \$/kW charge for installed solar.

D. Puskala asked about the new rate charges in October. D. Carlson questioned the term of the policy and thinks that is not fair to the customers. People have put in an investment and they were told that a 20 year time frame for a return on their investment. D. Carlson stated that he would be in favor of a 20-year time frame but from the date of install. He asked why the dates would be from May 1 to April 30. E. Booth responded that the energy will be generated in the summer months and this will give the customer more time to net out the solar generation. If the policy were on a calendar year schedule, co-generation customers would lose out on credits because they would only have until December to use up their credits. Therefore, staff did not feel it would be fair to the existing co-generation customers to use a calendar year time frame.

T. Tourville summarized where the Board is in the process of this decision. This is the third meeting that we received customer comments. The first two meetings, the Board focused on listening to the customer, this meeting we have some recommendations to discuss. We will not be making a decision tonight because we would be doing a disservice to someone. I fully anticipate that at our October 11 meeting, I think we will be having a vote and be making a decision to address our current co-generating customers. Our goal on the Board is to say we listened lots, we did not give any surprises and tonight, we want to get more comments.

J. Irby agreed with T. Tourville and said we are trying to do what is best for our customers and what is best for our utility. This is a learning process for the Board.

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D. Puskala stated that how he feels about it is one set of customers should not be subsidizing another set of customers. In this case, 17,000 customers will be subsidizing these 14 customers.

D. Carlson stated that he thinks the Board is working towards a good solution here. We did make an agreement with them that we will be able to hold our head up too. But the other thing that has not been mentioned at all is this is something really good for the utility in the fact that we are willing to embrace solar and this will be at least one step in that direction.

T. Tourville stated that instead of the audience waiting for the next public comment section. Is there anything else any of the audience would like to add to this discussion?

Jim Becker 160 Chapel Ridge Road commented that in this overall discussion, other than what was just said, it seems to negate any other benefit from solar, what is the future of alternative energy. I hope in the future, we have given you some articles to look at and hope you take a real hard look at that for the positive benefits of solar. In terms of the net metering policy, we were told that it was going to net that did not mean we were going to set a rate today and stay at that rate while all the other rates go up in terms of excess energy. The energy I create still goes to my neighbor who will be paying 11 cents. I have reduced my energy usage by installing solar panels. I did propose the netting out every year and I think that is fair. I am not in the business of generating energy. I also did propose that we reset the fixed charge and we will pay it. Regarding the term, we are told that the life of the panels is 25 years but I do think it appropriate to set at least a 20-year period for ownership. What happens if I rent out my house for a year, while we travel, when I come back what happens? My key point is we were told net is net and anything else is kilowatt to kilowatt.

Jack Gumaer, 720 W Kaye Ave. We have been taking a look at the dollars and cents of solar but one of the things we have not looked at is the intangibles of carbon free energy, green energy and there is a certain publicity value to that we have ignored in this discussion, so that is worth something. I also agree with kilowatt-hours to kilowatts hours and zero out the kilowatt-hours.

Jennifer Hill representing Superior Watershed Partnership, which is a non-profit organization. We currently rent from the city of Marquette, the old caretakers house on Presque Isle Park and we installed a 20 solar panel array to provide power for that building and also to demonstrate solar energy can be generated in the Upper Peninsula. So the owner of the property, we are currently paying for but when we are done paying for it, we will be giving it to the city. It was also sized to provide service to other parts of the park besides our building so that option will be given to the city should they choose to do so. Ms. Hill requested that the Board please mail their recommendations to the owners, so the city will have some notification of that and mail to us if you would. I would like to review the proposal very closely before I speak to it. On the question of what service the utility provides and the value of solar. The Clean Power Plan was litigated before the D.C. Circuit Court today and will probably go to the Supreme Court. What this means is that things could be changing in the next twelve months. Hopefully, there will be some clarity on carbon emissions and what is the value of solar on the federal level. So what happens here is Marquette is part of a larger global conversation so setting policies to encourage us to help our country reach some of

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these obligations, I think would be a good thing for the community. So I am hoping we will have a chance to speak directly to the proposals, I have not seen them as of yet, at the next meeting.

Maureen Gumaer, 720 W Kaye Ave stated that in their conversation at home, they decided to try to use everything we produce in order to get the best of our money. We would shift our lifestyle somewhat if the rates were different.

Robert Jacques, 680 County Road 480 - He stated that his schedule has not allow him to attend the other meetings. I just put in \$28,000 into a solar system. Based on tonight's meeting, if I sell my property, this solar system could be reduced to almost nothing. Has there been any thought to or any guidelines if in a couple of years, I decide to add more panels and having a blended rate. Also, if at the end of the year, you have a surplus have you thought of a way to donate to a local charity organization. Also with the solar garden project that you are trying to start, if you are going to pay 6 or 7 cents a kilowatt, I think you will have such a low participation rate because it will take 30 to 40 years to pay it back. I think the project that you want to start is commendable but it is going to go nowhere because they will never have a return on it.

Jorma Lankinen 8 Marquette stated that he wanted to defend the 17,000 customers of MBLP without solar panels. All of these people made an investment but they also received tax credits from the government so now we are paying for it twice as taxpayers and being a MBLP customer. We are being charged 11 cents a kilowatt and it costs 7 cents to keep the system upgrading in our community. Subsidizing is not my favorite thing and having 17,000 customers subsidizing 12 customers is not right at all. They knew what the investment was, things have changed and they are using the BLP as a backup battery. They use the power at night when they are not generating electric and selling it during the daytime when they are generating. We, as ratepayers, who do not have that privilege, are subsidizing these people and this is just not right. Not having anyone to speak for the 17,000 customers and having an overwhelming number of solar people, ten of the twelve people speaking on their behalf, this is really lopsided and this is not fair to the people who are making a large investment into the future of \$65 million and not having anyone here to speak up for them. This is not right.

8. **Recommendation to Award Forestville Dam Penstock Saddle Repairs and Culvert Replacement Design Project:**

D. Carlson made a motion to award the culvert replacement and repairs to the concrete corbels and saddles to CR Meyer & Sons Company in the amount of \$180,634.26. This is a budgeted maintenance item and CR Meyer and Sons submitted the lowest bidder. J. Irby supported the motion. Board approved unanimously.

9. **Marquette Energy Center Update:**

Ken Mixer from Sargent & Lundy, LLC gave a presentation on the recent updates of the Marquette Energy Center project. The engines are set up and protected for the next month or so until they are set on their foundations. He then gave a status summary on the engineering progress that has happened. He went over the procurement status and talked about some of the potential change orders that could be coming in. He stated that 70 percent of the concrete has been poured. Miron should be starting to erect the engine haul building next week.

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Mr. Mixer stated that he has been working with Wärtsilä on the delivery of the other major components and will be coordinating these shipments with the contractors. Discussion followed with questions asked by Board Members.

10. **Discussion on Video Recording MEC Project – Jerry Irby:**

J. Irby requested that this be put on our agenda because we just went through one heck of a PR thing with the engines coming in. The biggest thing I saw was about 200 people watching it happen and once the engine came down, they all started applauding and cheering. The second thing I noticed was lots of people were taking video and pictures. I think we should put together and share with the community a video that we could put on the city access channel for a couple of weeks. When the engines came off, I said these are our babies. I want to make a motion to direct staff to hire someone to put something together to put on our webpage and the access channel. Executive Director Paul Kitti stated that the last two videos were done by Joker Media. P. Kitti stated that he and Noreen Collins would head up this project.

11. **Public Comments:**

No comments at this time.

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

No comments at this time.

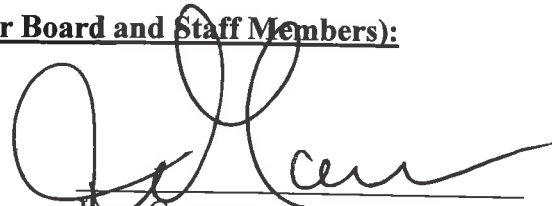
13. **Any Additional Business the Board Members Wish to Present:**

J. Irby talked to a worker from Vic's Heavy Haul and he said that this was the biggest thing that we have ever moved.

J. Garceau asked if the Board would be giving staff any directions for next board meeting regarding the solar cogeneration customers. J. Irby stated that it is important that the Board have input on it so if E. Booth does draw something up, it is given to the Board before going out to the public. D. Carlson stated that he wants to see the board be strong in drawing it up. T. Tourville stated that the Board does not have a consensus tonight to give staff direction to draw anything up. T. Tourville stated that we would convene again, discuss it again at the next meeting and hopefully be able to come up with something. T. Tourville responded to one of the citizens that spoke asking for information before the meeting and T. Tourville stated we probably would not have something put together for them to consider by the next meeting.

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

The meeting adjourned at 7:20 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.