

Marquette Board of Light and Power 10-11-16 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 October 11, 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 J. Garceau and unanimously approved by the Board.

1. **Approval of the September 27, 2016 Regular and Special Work Session Meeting**

Minutes:

D. Carlson made a motion to accept September 27, 2016 regular meeting minutes and the Special Work Session meeting minutes, as presented. Motion was supported by J. Garceau and the Board unanimously approved.

2. **Approval of Bills Payable:**

J. Irby made a motion to approve the Bills Payable as presented, totaling \$2,600,560.53. Motion was supported by D. Carlson and the Board unanimously approved the Bills Payable. J. Irby directed staff to periodically review other credit card companies to ensure we are getting the best deal on the credit cards that the MBLP use.

3. **Public Comments:**

Jorma Lankinen of 8 Marquette Drive, Marquette. As I indicated at the last board meeting, I was the only lone soldier talking about the unfairness of the other 17,000 ratepayers subsidizing these co-generation customers. I brought some people here that agree with me that it is unfair to have MBLP subsidize these customers for 15 – 20 years, nothing in life is guaranteed and I for one, being a ratepayer of the MBLP, do not want to pay for these investments that they bought with their own free will. They received their 30 percent tax credit right from the get go and continue to receive deductions as they go along. I, for one and several of the people I have brought with me, agree that we are not willing to subsidize their investment. You have said that you can buy energy for \$39 MW and you are paying them \$130 MW, this is not fair.

Jack Gumaer of 720 W Kaye Avenue, Marquette addressed Mr. Lankinen's comments regarding subsidizes. Specific to the MBLP, the amount of subsidizes that are being paid by all the ratepayers is less than 50 cents per year. He said contrast the 50 cents per year to the annualized cost of the new Marquette Energy Center, which is close to \$5,000 a year, per customer. We are really talking peanuts here. Secondly, subsidies are a fact of life, we subsidize our schools, our highways, our library, our fire departments, really all our public

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services, it is for the greater good of the community, so don't look at it as something negative, it is actually something positive.

Jim Becker 160 Chapel Ridge Road, Marquette, I want to speak about subsidies, which I hesitate to use the word, in fact it shows in many studies that we are subsidizing others by creating an environment of cleaner air, by supporting health and that the fact that this miniscule impact is well made up by those of us who stepped forward and invested money out of our pockets that supports an entire community.

Ann Becker 160 Chapel Ridge Road, Marquette read a letter to the Board that contained some assumptions made by them that the total solar customers are generating approximately 8-one hundredths of the MBLP's total capacity. She said that their prospective is "this is not making a mountain out of a mole hill but is more like making a mountain out of a grain of sand" in terms of the impact on the MBLP especially when they are still paying the fixed charges. Current solar customers have a minuscule impact on the MBLP's revenue. Given this, it seems only appropriate to grandfather the current solar families using the net metering policy that was in effect at the time that their solar was installed.

Lori Peck 104 Veda Street stated that she is here tonight to support Jorma Lankinen's comments.

4. **Discussion on Buyback Policy for MBLP Existing Co-Generation Customers:**

D. Carlson stated that he is a supporter of keeping the net metering policy going because there was an agreement with these people and they went forward on their investment based on these financial considerations. He also stated that Mr. Becker's comments about the positive side of solar is a very important thing and clearly there seems to be a change in the horizon and it is important that we keep a door open to solar. He currently recommends a 20-year time frame from when they installed their system. Once that time is up, they are on the current agreement.

J. Irby brought up the topic of what happens if the owner dies, can the ownership go to an immediate family member under the 20-year time frame.

D. Puskala stated in the past when the alternative energy was beginning to get started, no one really knew what would become of it. To get this program off the ground, there were governmental rebates, low cost loans and other incentives given. The utility's part of this project was the net metering program. It was a subsidized program to help get the solar going. Some states even required utilities to offer net metering and people made the decision to install solar based on this information. Going forward, my position will be massively different but I don't like to change the rules on people so therefore, I think we need to keep the promises made with these 14 customers but with some guidelines. 1. System can't be transferred with an exception for spouse or immediate family. 2. We need to set a certain time frame term – 10 years, 20 years, whatever the Board decides. 3. No expansion of the systems currently installed. 4. The MBLP will not cut checks to anybody. 5. The energy credit will only be applied to the kilowatt charge/energy charge and customers will still pay for the fixed charges.

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J. Garceau stated that he agrees with all of D. Puskala's comments. J. Garceau stated that he would need some more information on the install dates of the current co-generation customers systems before making the final decision. He is open to suggestions on the time frame and what to do if owner passes away. He would like to discuss this further.

J. Irby told the audience that the Board does not have a document in front of them and there will be no motion or vote tonight. What we are talking about is what we need in the document and then will direct Executive Director and staff to put it together. Then we can review it and vote on it.

T. Tourville reviewed what has been happening in the past few months. The Board has decided to start with the current co-generation customers and then work on our long-term policy regarding renewable energy with this utility and this community. How do we quantify solar and what is its value to the community. He wants to honor the policy that was given to these people. He then gave examples of what we pay for a kilowatt from the grid, what it costs us as an utility and what we are paying for it with the co-generation customers. There are no financial impact with these 14 customers but the issue of fairness is huge and our charter which specifically says that we cannot discriminate in rates amongst our users. We are a nonprofit and community owned utility. What we need to do tonight is to give staff the parameters that we are considering for these customers. Once staff has drafted the document, have legal consultant review it and so at our next meeting, the public will be able to see what staff is recommending and what the Board will be voting on at this meeting. There will be no surprises. After this is complete, we can start work on the long-term policy for the future.

D. Puskala stated when the new policy is crafted, it has to take into account the future rates and reflect a true cost of service.

D. Carlson asked staff to consider the different viewpoints of the Board members because we are not united on this so have a goal of having three votes to get it approved. It is important that we move forward on this.

P. Kitti stated that staff has heard from the public and really respects their opinions over the last several months. We need to respect the policy that these customers came under. We need to recover our cost of service and we need to be fair. Based on what we have heard, I am confident that staff can come up with something that reflects the interests of everybody. This is not a negotiation here but a discussion on policy.

T. Tourville asked the staff to mail the information out to cogeneration customers so they will have the information before the meeting.

5. **Marquette Energy Center Update – Ken Mixer, Sargent & Lundy:**

Ken Mixer from Sargent & Lundy, LLC joined the meeting via teleconference and gave the Board a review and update on the project thus far. Mr. Mixer stated that the Civil General Work Contract will be finished this month. Miron did start erecting the engine hall steel as well as the radiator steel. We have not received any change orders since the last meeting. Mr. Mixer then covered the Wärtsilä equipment deliveries and when we can expect the various shipments. There are a total of 17 shipments still to come in. We did get an updated

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schedule with Miron yesterday because of the delay is a couple of the deliveries. The good news is, even with the change in delivers, the final completion date remains June 1, 2017. T. Tourville stated that the numbers are very encouraging, our original project cost was \$65 million with an original contingency of \$6.4 million and the contingency is \$6.7 million right now even in this late stage of the project. Mr. Mixer then answered questions from the Board regarding some of financial items and he stated that he is watching closely any change orders that come in. J. Irby asked how many workers are working on this project. P. Kitti stated that he counted over 40 workers today. Mr. Mixer stated that he is very happy with the work that Miron has been doing thus far. J. Reynolds stated that the electrical building will be shipped next week, transformers are due anytime and SEMCO painted their regulating station last weekend.

6. **Public Comments:**

John DePetro 1803 Presque Isle Avenue, Marquette. He said that he is here as a messenger for MBLP customers and as a County Commissioner, he is getting a lot of questions and a lot of people are contacting him. What I would like to see, he stated, is the Chairman write an open letter to the Mining Journal to educate the people about net metering policy. I am here tonight asking you to do this. I am very supportive of the MBLP but please educate the public. During the week, I would like to see you go down to the intersection of Washington and McClellan and visit those coffee shops to find out what are the public's thoughts and concerns.

Jen Hill representing Superior Watershed Partnership at 2 Peter White Drive. I want to thank the Board for going slow and being careful in your deliberations of putting together this policy. I want to encourage you to think about opening up the discussion and considering other examples and other communities and how they have done this work. We do not have to reinvent the wheel and there are a lot of examples of how this has been done so we don't have to spend a lot of time on it. She stated that you cannot buy back what you did not generate it. This is an excess credit.

Jim Becker 160 Chapel Ridge Road, Marquette. He stated that he was encouraged when we started to discuss the grandfathering item but now it seems like it is being chipped away by staff. When we installed our system a little over a year ago, you did not say that it was going to be capped at some rate and there was not a sunset provision where it was going to stop at some point. We certainly understand the fixed costs that are stated and certainly agree that it should end at some period of time but I would ask to look at the fairness issue for those people who stepped forward for consideration. I do think that at some point, maybe a presentation to the Board that addresses the issue of solar and the value of solar. There is so much more to this issue than has been discussed.

Jorma Lankinen, 8 Marquette Dr. Please do not get me wrong, I am not against the solar energy but I am against the subsidizing of the 17,000 people who are on the system. When you asked for the 30 percent rate increase for the MEC, we agreed but nowhere was there mentioned, there would be subsidization for 14 people. We all made a commitment to honor and support the MEC for \$65 million but none of us agreed to any subsidization to any people to guarantee their particular investment. As Mr. DePetro said, it is not very peaceful out in

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the real world. They are very vocal about their feelings with the MBLP trying to subsidize these people. It is not right for the 16,000 customers out there.

Robert Niemi 1702 Gray Street. He would like to compliment the Board on their efforts they are taking to try to treat everyone fairly. You are trying so hard to be fair to the 14 co generating customers and the 16,000 customers and I think you are making some headway on that. In the future, we want to encourage solar.

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

No additional comments

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

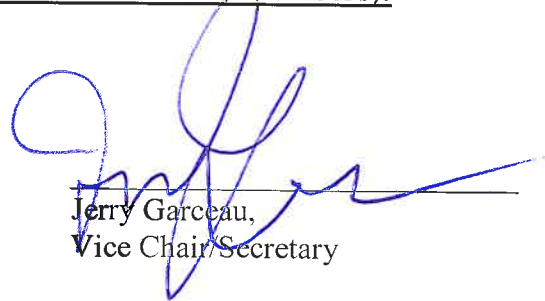
J. Garceau stated with his six years on the Board, we have always tried to do right by the customers. I am confident that we can get to the right decision.

J. Irby said that he had the opportunity to attend the Michigan Municipal Electric Association Annual Conference in Holland last week. I participated in some sessions with Dawn Lund, Utility Financial Solutions. He received some really good information and will follow up on some of the connections. In response to Mr. DePetro's comments, I have coffee with three senior groups and I have never run into that kind of conflict. I do not know where you are going but my groups have been very receptive to the MBLP knowing that we have sustainable power.

T. Tourville stated in regards to the cogeneration customers, I am encouraged, even though there is some difference of opinion, we will come up with something fair. The larger discussion on how we will qualify the value of solar, I am in agreement with the idea of forming a subcommittee to study this.

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

The meeting adjourned at 7:00 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.