

Marquette Board of Light and Power 10-25-16 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 25, 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.

T. Tourville asked for a change in the order of items 3 and 4. J. Irby made a motion to accept the agenda with items 3 and 4 being changed vice versa. D. Puskala supported the revised agenda and Board unanimously approved.

1. **Approval of the October 11, 2016 Regular Meeting Minutes:**

J. Garceau made a motion to accept October 11, 2016 regular meeting minutes, as presented. Motion was supported by D. Puskala and unanimously approved by Board.

2. **Approval of Bills Payable:**

J. Irby made a motion to approve the Bills Payable as presented, totaling \$563,177.88. Motion was supported by D. Puskala. After discussion, the Board unanimously approved the Bills Payable as presented.

3. **Financial Discussion – Controller, Helen LaFayette:**

Controller, Helen LaFayette gave a brief summary of the Preliminary Revenues ending September 30, 2016, Projected Cash Flow Statement, Kilowatt Sales Graph and Summary of Investments. She stated that the auditors will be here beginning the week of November 14 and are planning on giving a presentation on the audited financials to the Board at a regular Board Meeting in January. Discussion followed.

4. **Public Comments:**

Jack Gumaer, 720 W Kaye Ave. Marquette. In regards to the policy that the board will be considering tonight for the existing cogeneration customers, Mr. Gumaer encourages the Board to choose the option of purchasing at the full retail rate. He sent the Board a letter with a spreadsheet of the different options being looked at tonight. He stated with only 15 customers, the financial implications are absolutely minimal.

Jim Becker, 160 Chapel Ridge Road, Marquette. He asked the Board to take a hard look at the net metering policy that was in effect when they installed their systems. The policy was for the life of the system, there was no sunset clause. We suggest a minimum of 20 years, the general accepted life of the panels is 25 years so we think 20 years is the appropriate time frame for this policy. Unless there is an overwhelming public reason for changing the contract agreement, we believe that there is no complying reason to change the net metering policy that was in effect.

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Ann Becker of 160 Chapel Ridge Road, Marquette. Mrs. Becker stated that after the last meeting, it became clear to her that the solar customers have provided the MBLP with a free pilot study to show the impact of solar for the MBLP. The data is specific to this location and this has cost the MBLP nothing. The 15 solar customers combined have paid the MBLP, \$3,000 in application fees. We have provided income to the MBLP, have paid local community installers and paid the County \$3,000 in inspection fees. We did not cost anyone any money, we paid for it all. She believes the MBLP should respect the agreement that was in place when they installed their solar panels. From her point of view, the MBLP needs to acknowledge the value of solar and most importantly, does the MBLP keep its word?

Charlie West of 440 E. Prospect Avenue, Marquette. He stated that he installed his solar system in 2011 and appreciates the hard work the Board is putting in to resolve this issue. On the 2009 agreement, there is nothing on the finances. From what he remembers, the customer would buy the electricity that they use from the MBLP and the MBLP will credit them for the electricity that was generated. He also does not remember any time frame on the agreement. His hope/expectation is that the MBLP stand by that agreement. He said thank you for the invitation to give our input and encourages the Board to grandfather us.

Robert Jacques of 680 County Road 480, Marquette. In regards to the item regarding if the account name changes, the terms of the policy are void, he would like the Board to consider modifying that part in the policy. In terms of the time frame, he would like the policy to run with the property or with the system. So if he sells his property, it would allow him some recovery of his investment. He would like to see the time frame be connected at the site not the owner of the account.

Jorma Lankinen of 8 Marquette Drive, Marquette. Mr. Lankinen stated that we have everyone involved with co-generation here to talk about their particular interest and it appears that I am the only one here to represent the rest of the 17,000 MBLP customers that are really the backbone of this whole utility to make sure that this system runs properly. I am offended, along with the other 17,000 customers, that I did not get a paper stating what the Board would be agreeing on for these particular people. This whole agreement has been flawed from the beginning and we should not continue to subsidize these people. They have already got their 30 percent tax credit and they are getting the depreciation on the system. We got a 30 percent rate increase for the utility. He feels as a lot of other people feel, that it is unfair for us to be subsidizing someone else's investment.

5. Approval of Board Policy for Existing Co-generation Customers:

T. Tourville stated that there are four separate items that we need to look at in the policy and he would like to go over the items and let the Board members respond before a motion is made. The four items were: 1) purchase price of electricity from co-generation customers. 2) how the credits will be applied to the bill and the process of netting out the credits each year, 3) the term of the agreement in years, 4) what happens if the account owner changes.

After much discussion, a motion was made by J. Irby to approve the grandfathering of existing co-generation customers who have signed the Electric Interconnection and Net-Metering Policy with the following provisions:

1) The purchase of Electricity from co-generation customers will be at the retail rate.

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- 2) The purchase of electricity will show up as credits applied to energy usage charges on a 12-month basis, for bills produced from May 1 through April 30 of each year. At the end of this 12 month time, the credits will be zeroed out, there will be no carry forward of credits. This credit will be only applicable to energy usage charges and will not apply to any other line items on the bill nor have any cash redeemable value.
- 3) The term of the policy will be 20 years from the date of connection to their solar system.
- 4) The term of this policy will be void if the account owner changes or if additional generating resources is added to the respective customer's system. Once the term expires or it is voided, the customer will be under the Interconnection Agreement in effect at the time.

D. Puskala supported motion and the Board gave directions to staff and legal counsel to create a legal document with the above mentioned provisions. Board approved the policy unanimously.

6. **Approval of Electric Interconnection Policy:**

Director of Planning and Regulatory Affairs Erik Booth recommends changes to the Electric Interconnection Policy, which will include removal of all net metering provisions and update to the application fee. J. Irby made a motion to approve the new Electric Interconnection Policy and J. Garceau gave support. Board voted 4-1 with D. Carlson voting nay.

7. **Approval of Annual Software Maintenance and Support Agreement:**

D. Carlson made a motion to approve the Annual Software Maintenance and Support Agreement with support from J. Garceau. Executive Director stated that this billing information system was installed in 2005 and 2006 and is vital to the billing department. Board approved unanimously.

8. **Marquette Energy Center Update:**

Ken Mixer from Sargent & Lundy, LLC updated the Board on the various work contracts, information on the shipping schedule and the progress on the MEC Project. The Cost Summary is still showing very favorable numbers and we have not used any of the contingency fund. Mr. Mixer stated that he and Miron have been tracking all the changes making sure there is no duplication work being done and that the costs are reasonable. He stated that the teams from Sargent and Lundy, Miron and Wärtsilä are all working well together.

9. **Public Comments:**

Charlie West 440 E. Prospect Avenue thanked the Board for the careful and thoughtful way that they made their decision.

Jim Becker 160 Chapel Ridge Road, thanked the Board.

Ian Olmsted, 102 W. Washington St. thanked the Board for making an informed decision and encouraged them to make a swift examination on the next phase.

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Lynn Laakso 1509 Birch Avenue, stated that she was not happy with the Board because they voted on the updated Electric Interconnection Policy tonight without the public being able to review it and the Board did not give a public comment time before the vote.

Robert Jacques 680 County Road 480 asked if the bill will have the credit information on it so he can monitor the usage. E. Booth said that he would look into it.

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

Executive Director P. Kitti gave an update on the three part video series that we are currently working on with Joker Media. The series is to video tape the progress and construction of the MEC project. We have provided a number of photos to him and he will be here next week to tape the setting of the engines in the engine hall.

Mr. Kitti then shared some of the cost savings of the MEC Project. As a result of what staff has been doing and the bonding rate we received, we were able to save about \$220,000 a year in interest, for the 20 years of the bond. We have not had to use the \$6.7 million in the contingency fund as of yet. Also, because we accepted the three premanufactured new Wärtsilä engines, we saved approximately \$1.2 million and have received an extended 12 month warranty, bringing the total warranty to 24 months.

On the last union contract, we modified our retirement age by raising the retirement age to 60 years old. Effective October 1, 2016, we modified our health care coverage with Blue Cross Blue Shield, which will save the MBLP approximately \$170,000.00 a year. Recently, we re-engineered the staffing at the Shiras Steam Plant which amounts to about \$130,000.00 savings a year. Our manpower has dropped 18 percent in the last four years. This saves the MBLP over \$1.5 million a year. When people retire, we evaluate job functions and do not fill the position unless absolutely necessary. We continue to do more with less people by leveraging technology. In the 1990's, we had 113 employees, we are down to 69 employees now.

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

D. Carlson asked staff for information on the maintenance of the new plant. P. Kitti stated that our people will be trained and Wärtsilä people will be on site training for a period of time.

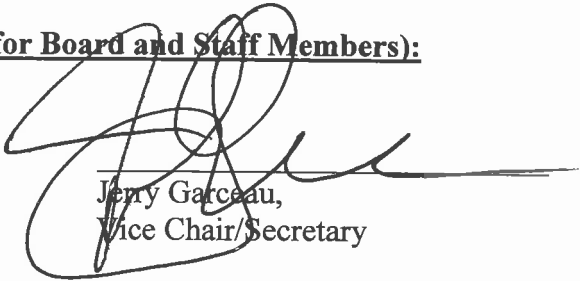
J. Garceau said thanks to the co-generation customer for being patience in this process.

T. Tourville answered Ms. Laakso's comments. He stated that there was no time for public review of the policy and that basically; this was just to clean up the language. Regarding her suggestion of moving swiftly with the larger topic of future co-generation customers, he said that this will be a long-term policy and the Board will be going slowly. T. Tourville directed staff to present to the Board a first draft on how to proceed with the community solar garden. We can study it and hopefully, we can get that addressed before Christmas.

Regarding the grandfathering, he said when you looked at the total amount that these customers actually purchased and what they pushed back, over the last year, we are looking at grand total \$1,800.00. If we purchased the energy wholesale, we would have paid \$1,000.00 so we really subsidized only \$800 for these people so about 5 cents per customer.

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12. **Adjournment (Tour of Construction Site for Board and Staff Members):**
The meeting adjourned at 7:21 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.