

Marquette Board of Light and Power 11-29-16 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 November 29, 2016. The meeting was called to order followed by the Pledge of Allegiance.

City Clerk Kris Hazeres conducted oath of office with newly elected board member Robert Niemi. An election was held for the position of Board Chair in which T. Tourville was elected on the first ballot unanimously. The oath of office was then conducted by K. Hazeres. An election was held for the position Vice Chair/Secretary in which David Puskala was elected on the first ballot 4 to 1. After this election, K. Hazeres conducted the oath of office for this position.

Present: Tom Tourville, Chair
David Puskala, Vice Chair/Secretary
David Carlson
Jerry Irby
Robert Niemi

Absent: None.

J. Irby made a motion to accept the agenda as presented. Motion was supported by R. Niemi and the Board unanimously approved the agenda as presented.

1. **Approval of the November 8, 2016 Regular Meeting Minutes:**

D. Puskala made a motion to accept November 8, 2016 regular meeting minutes, as presented. Motion was supported by J. Irby and unanimously approved by Board.

2. **Approval of Bills Payable:**

D. Puskala made a motion to approve the Bills Payable as presented, totaling \$3,063,554.58. J. Irby supported motion. The Board unanimously approved the Bills Payable, as presented.

3. **Public Comments:**

Robert Kulisheck of 617 W. Hampton Ave. stated that he is the Chair of the Marquette County Climate Adaptation Task Force and wanted to talk about the Community Solar Garden. He stated that he wanted to commend the Board for going ahead with the Community Solar Garden Project. He did suggest that the Board look at it in a more broad, systemic prospective in the future by looking at a range of renewable energy sources. He suggested that the Board have a good mix of renewable energy sources in order to provide reliable, efficient, cost effective power for the community well into the future. He stated that he would like the Board to bring in people with expertise in this field, to help them and the community decides how to best address this issue.

Ann Becker 160 Chapel Ridge Road. gave a handout titled "Shining Rewards – The Value of Rooftop Solar Power for Consumers and Society" to the Board members. She stated that she was shocked that the value suggested was 6.3 cents per kwh as a reimbursement rate for the investment in the solar garden. She stated that the UFS Rate Study did not include many of the aspects of the value of solar. There are numerous other studies done throughout the

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country that have used additional criteria to evaluate the value of solar. She stated the handout shows in graph form how other utilities have gone ahead to determine the value of solar. She suggested that before the valuation of the community solar garden be locked in, that a more transparent research and evaluation be done.

Jim Becker 160 Chapel Ridge Road thanked the board and staff for making these documents available on line. He was happy to see that the Policy Statement covers all the essential points that the board agreed to. He stated that they have advocated since the UFS Study that we need a comprehensive, in-depth look at all the issues related to this effort. We need to continue and increase our efforts in the renewable energy field. He would love to see the MBLP become a leader in this effort. The board and the staff have done a magnificent job in putting together this new energy center. He now asked that the same expertise be applied to incorporating renewable energy as we go forward. This community has a lot of people who would like to see this happen with the solar farm and rooftop solar efforts. We strongly recommend that a study group or committee be formed that comprehensively looks at this and brings back recommendations.

Jorma Lankinen 8 Marquette Drive, he thanked the Board for looking at the solar garden and stated that this is a fabulous opportunity for the community. He applauds the Board for looking at the entire package. He then stated that once the engines are running they would be generating millions of British Thermal Units (BTUs) through the stacks. Every country in the world extracts these and uses them for heating and cooling but the U.S. He asked the Board to please look at this so all these millions of BTUs will not be wasted.

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

Helen LaFayette, Controller gave an update to the Board on the Interim Operating Statement for the month of October. She also summarized the Projected Cash Flow Statement, the Kwh Comparative Analysis and Budgeted Revenue chart. She then answered questions from the Board members.

5. **Acceptance of Policy Statement for Existing Net Metering Customers:**

D. Puskala read the Policy Statement for Existing Net Metering Customers that was officially written after the policy criteria was adopted at the regular meeting on October 25, 2016.

D. Puskala made a motion to approve the statement policy as presented. J. Irby supported the motion stating that the Policy Statement was exactly what the Board requested and approved. Board approved the Policy Statement, as presented, unanimously.

6. **Recommendation for Adopting the Buy all Sell all option for the Community Solar Project:**

Based on direction from the Board at their meeting on November 8, 2016 and review of the Utility Financial Solutions' "Solar Renewables Valuation Study", Erik Booth, Director of Planning and Regulatory Affairs recommended the Buy all; Sell all Option for the community solar garden project of 6.33 cents per kWh. This credited amount should allow customers to receive full payback over the life of the project if the National Renewable Energy Laboratory historical irradiance data is accurate. It was also recommended that the MBLP pay for the maintenance of the community solar project.

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D. Lynch, Assistant Director-Utility Operations gave a timeline of the solar project thus far. End of January 2016, the Board awarded the contract to Michigan Energy Options to do the marketing, website development and sales. The website went live in June of last year where 247 customers signed up through that site. I believe there are over 300 customers who have signed up at this point. We have a project cost 'estimate' because solar panel prices have dropped about 30 percent in the last six months. We have all in cost of \$1.83 a watt which is phenomenal, I self installed my system in 2010 and mine was \$4.29 a watt, so the price is very, very good. Our target price is \$500 per share/panel, which is including the Michigan Energy Options buy down commitment to contribute dollars in the form of rebates to the cost of the panels through the Energy Optimization Program. A couple of weeks ago, Cherryland was offering their customers \$600 per panel and the buyback credit was less than our recommended buyback credit. Looking at the solar calculator, the panels pay themselves off before 25 years, so the customer would see a net gain if they participated. Establishing this rate will allow staff to finalize the details of the project and get the marketing ramped up and ready to go the first quarter of next year. T. Tourville asked Mr. Lynch what is the size that staff are anticipating for the garden. D. Lynch answered that he is looking at 480 panels, which are rated at 315 watts per panel. The estimated output is 382 kWh per panel, per year. We are also trying to set this up so customers will own the panels and will be able to possibly qualify for the 30 percent federal tax break.

E. Booth also stated that if the Board accepts this recommendation, it would be helpful to reference the May 4, 2016, Solar Renewables Valuation Study. So if other factors come into play in the future, we can take into consideration the date of the study. So we are not locking in to the price because things can change. We were real happy to find out that this project can pay for itself. He stated if your goal is to make money, solar is not where you want to invest your money but this is a way to buy from a carbon free source. He also recommended that the MBLP periodically update the UFS study so you stay on top of this. Because the solar garden will give us real data from our system, we can truly development a separate rate class for rooftop solar that is sustainable. J. Irby made a motion to approve the Buy all Sell all option using the UFS Study recommendation of 6.33 cents per kWh as a bench point. He directed staff to put the documentation together and bring it back to the Board in a timely manner so we can move forward with the solar garden project next year. D. Puskala supported the motion and said this is a great step forward to get us involved in more renewable energy. This is a great starting point. D. Carlson indicated that he would vote no on this issue primarily because we have not looked at other benefits of solar and it needs to be a part of what we do. T. Tourville said he is really in favor in this project because we are getting it started and moving forward. After we have the data then we can make changes and possibly pay more in the future. Motion to approve the Buy all Sell option for the Community Solar Garden was approved by the Board 4-1, with D. Carlson voting nay.

7. **Marquette Energy Center Update:**

a. Wärtsilä Update – Jari Vainio stated the heavy haul work has been completed and they have received the shipments with the biggest auxiliary pieces for the project. We do not know of any delays with the rest of the shipments at this time. Executive Director Kitti introduced another Wärtsilä engineer to the project, Boubacar Zama who will be working here until May or June.

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b. Sargent & Lundy via teleconference – Ken Mixer gave his project report to the Board stated that we have approximately 6 months left with final completion date of June 1, 2017. He then went over the potential change items. He stated that he has reviewed 38 changes in the Civil General Work Contract (CGWC) for an additional expense of \$334,536.23. In the General Work Contract (GWC), he has 5 change orders for a cost of \$13,953.51. Some of the reasons for the change orders are vendor-drawing discrepancies, late equipment deliveries and additional construction drawing issued after the GWC award. He gave a summary on construction costs of the CGWC and GWC in which both are under budget. He updated the Board on equipment deliveries. We had 18 total shipments in which we have received nine shipments with nine shipments pending. In December, there are 4 shipments scheduled to come in and a couple shipments in the beginning of January. T. Tourville summarized the production costs, at this stage; we are still less than \$59 million and are well under budget. K. Mixer said that we have a good contractor who has been very cooperative with all the changes.

8. Public Comments:

John Forslin 36 Southfork Street stated that he is ready to sign up for the solar garden. This is a great idea and wants the garden to get started. He also appreciates that the project will pay for itself. He stated this is not about investments but avoiding carbon. Anything that you can do to lessen carbon is a good thing. Thank you.

Jorma Lankinen 8 Marquette Dr. he wants to encourage and congratulate the Board for being in the forefront of this issue. He appreciates that they are making a decision and not putting it on a shelf. He also encouraged the Board to look at all BTUs coming out of the stacks and looking into the many ways to capture it to use instead of just putting it into the air.

Doug Bailey 1901 Division Street. He questioned the use of calling the new policy “a grandfathering in” policy because it is not applicable because we cannot use the terms and conditions of the 2009 policy. E. Booth explained that current cogeneration customers are under the 2009 policy of net metering with a few changes and will be paid the full retail rate. Now, anyone else coming into the system will be under a different policy that has yet to be developed. Mr. Bailey stated that the use of grandfathering is not accurate because we have to accept changes.

9. Any Additional Business the Executive Director Wishes to Present:

P. Kitti said that he and John Reynolds have been giving tours of the new project to Department of Environmental Quality representatives. They have been well received.

Mr. Kitti stated that we have had a video of the project MEC created. Executive Assistant, Noreen Collins has worked hard with Joker Media to create the video. This is the first part of a three part series. We will have the video on our website soon and make it available to the city, Peter White Library, Delta Chamber of Commerce, Lake Superior Community Partnership. This is a big event for the Upper Peninsula and I never lose sight of all the people working on this project who are just about 100 percent local people.

Mr. Kitti notified the Board that he would be retiring from the MBLP as of June 30, 2017. “It’s time,” P. Kitti said. “I’ve been doing this a long time and I’d like to quote from one of

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the prime ministers from England, he said "I was once the future." Mr. Kitti said, "We have a great Board, great previous Boards and a great community supporting this project, solar and renewables." Mr. Kitti stated, "As I tender my retirement notice, I look back at what we have accomplished as a community." We are a RP3 energy provider at the Diamond Level with the American Public Power Association, which makes us one of the top 30 utilities in the United States that means a lot. We are in terrific financial condition, some of the best finances in many years. Our Controller Helen LaFayette and we have been really watching the finances. We have been re-engineering ourselves all the time. If you look at our rates, even though we had a big bump, we are still some of the lowest rates in our region. This will level off now that we have made this investment. We talk about community owned and these engines are going to produce enough energy for ten Duke Lifepoints. Duke Lifepoint is one of our big customers and we send 500 insured lives over there. We have a good relationship with them and the money stays here in the community. We have over 100 pupils in the local schools that money stays in our communities. We have a great relationship with the union and have been able to re-engineer a lot of our jobs and that is very important. We have a new energy center and our number 3 coal unit has been impeccably maintained. We are staying with our model of Essentials, Necessities and Desirables to ensure Reliability, Rate Sustainability and Customer Value. It has been a distinct pleasure to have served here over the last 13 years. I spent a lot of time with Upper Peninsula Power Company and Wisconsin Public Service, so I have been on both sides of the for profit and not-for-profit business models. It has been a real pleasure.

David Carlson commented that as a senior board member, going back many decades, I have seen lots of directors and have worked with lots of directors during that time period. D. Carlson said, "I have to say, Paul, that you have done the finest job that I have seen in all of those years and it has been under some very difficult circumstances that you have had to do this with the whole change in electric utility, situations here in the U.P. and the kind of aging that we have with some of our equipment. You had a very forceful way of finding a path that we really needed to get on and pushed and pushed until we could accomplish all of these goals. As an old military guy, you have been remarkable in a civilian agency to get people to really focus and work without having a brig to throw them into to make it happen.

P. Kitti stated that he will work with the Board and the community for a smooth transition of power, adding that the MBLP is a jewel in the State of Michigan and we are the largest reciprocating energy site going on in the five state regions of North and South Dakota, Minnesota, Wisconsin and Michigan. We are doing it. We have two Wärtsilä people here who came from a project in Coffeyville, Kansas, which has the same units down there, and hopefully, we will be coming in \$10 million under their project. This has been a team effort and we could not have been done without everyone.

T. Tourville stated that Paul uses the word "we" lots and when P. Kitti told him of his intentions, I did not hear the word "I" did this, "I" did that. P. Kitti said, "we did this," "we did that" because that is who Paul Kitti is. Mr. Tourville stated, "Paul, you deserve some recognition, in addition to what we see here, you have had 26 years of combined active and reserve duty serving our country, you have 32 years serving our industry and when I look back you have made some significant accomplishments that you continue to say "we did this" and "we did that" but you drove the ship. You have been a great asset to this utility and had a

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remarkable career and I want to thank you for staying through the completion of the new center, congratulations, Paul. P. Kitti thanked Tourville for his kind words, adding, "My mother would've liked them, my dad wouldn't have believed them."

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

D. Puskala said thanks to Paul but I am shocked at the announcement. Also, he agrees with Jorma Lankinen's comment in regards to BTU's and thinks that one of the next steps forward should be to try and find ways to use residual energy/heat. It is a great idea and it is worth trying to pursue that avenue.

R. Niemi stated that he had indicated that he was interested in the solar garden but now that I am a Board member, I think that is inappropriate so I will withdraw my name from the list. I cannot set rates and benefit from it, conflict of interest. The second conflict is that my father-in-law is a proud retiree of the MBLP so if we ever get into the retirement issue, I will have to excuse myself or ask K. Seavoy for a determination at the time. I just wanted those things on the record. I look forward to serving the MBLP; it is an exciting time in our history. The city has enjoyed 125 years of owning a fine utility and I expect that it will continue for another 125 years.

11. **Adjournment:**

The meeting adjourned at 7:32 p.m.



David Puskala,
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.