Board Regular Meeting
Board of Public Works
November 19, 2019

The regular meeting of the Board of Public Works Commission was held at the BPW Administrative Office, 350 E. Washington Avenue, on Tuesday, November 19, 2019. Chairperson Boerman called the meeting to order at 3:30 p.m.

PRESENT: Commissioners – Chairperson Boerman, Dykstra, Walters, Query, Cooney (via conference call)
ABSENT: Commissioners – None

Staff present: General Manager Boatright, Electric T&D Manager DeKraker, Electric Power Supply & Market Operations Manager Mulder, Manager of Water Operations Levandoski and City Clerk Holmes

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve the minutes of the October 15, 2019 regular meeting and the Special Board Meeting of October 25, 2019. Motion carried.

Public Comment
No public comment given.

Safety Minute
This month's Safety Minute was a video with rules and instructions on how to safely use the new City of Zeeland Roundabout located at the intersection of W. Washington Avenue and W. Main Avenue.

19.074 Approve Cash Disbursements and Regular Monthly Transfers

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to approve the October, 2019 cash disbursements and the regular monthly transfers for the month of November, 2019 as follows:

Cash and Investments as of: October 31, 2019

	Electric	**Water**
Receiving	$3,115,872	$839,610
Accumulated Debt Service (in Receiving Fund)	-	24,831
Plant Improvements and Contingencies	27,177,367	10,448,389
Bond and Interest Payment Reserve*	-	131,000
Totals	30,293,239	$ 11,443,830

* Reserve required per electric and water revenue bond ordinances.

Recommended Transfers for the Month: November, 2019

	Electric	**Water**
Receiving	(534,446)	(546,731)
Accumulated Debt Service	-	24,831
Plant Improvements and Contingency	492,700	521,900
General Fund (per charter provision)	41,746	-

Motion carried.

Water Operations
Manager Levandoski reviewed the Water Department report and updated the Board on the Water projects.

Electric Transmission & Distribution

Manager DeKraker reviewed the Electric Department report and updated the Board on the Electric projects.

DeKraker explained that a switch cabinet is needed for the undergrounding project in the Main Street and State Street area. For the PMH-9 Switch Cabinet that is needed, three bids were received. Staff recommends awarding the bid to the low bidder, IRBY Co.in the amount of $10,395,55.

19.075 Switch Cabinet Purchase

Motion was made by Commissioner Query and seconded by Commissioner Walters to award the switch cabinet bid to IRBY Co. in the amount of $10,395.55. Motion carried.

DeKraker explained the project which involves moving the Riley T4 138/69 kV Transformer from Riley to Fairview and adding the rest of the necessary equipment to our existing Fairview Substation to complete this new 138/69 kV substation. With coordinating this project with Wolverine, a few assets from their existing substation make sense for us to purchase. The equipment is in very good shape and is not very old. Approximately 59 feet of fencing and gates, existing control house, and one (1) 69 kV Circuit Breaker. Purchasing these from Wolverine is a more cost-effective decision for us as the equipment isn't very old and is in great condition. In addition, the cost to make them remove and us to install new doesn't need to be considered now.

19.076 Fairview Substation Asset Purchase Recommendation

Motion was made by Commissioner Query and seconded by Commissioner Walters to approve the purchase of the Fairview Substation Assets including 59 feet of fence and gates, control house and one (1) 69 kV Circuit Breaker from Wolverine Power Supply Cooperative in accordance with the "Wolverine to Zeeland Board of Public Works – Bill of Sale, Fairview Breaker Station Assets" for a total price of $38,454.16. Motion carried.

DeKraker explained the Riley to Blendon Transmission Line project. The transmission system is being upgraded from 69kV to 138 kV in the area. With that conversion, our line terminating at Blendon Substation needed to be relocated to a new part of the substation. This was dictated by ITC as they have purchased the entire Blendon Substation from Wolverine Power Supply Cooperative. We have been coordinating this project with Wolverine and ITC and have determined it made sense for us to purchase the existing transmission line of Wolverine's that is in the location of where our Riley to Blendon line needs to be moved to. The line and the associated equipment are in very good shape. Purchasing this from Wolverine is not only a more cost-effective decision, it also assists in less construction being needed and thus, less down time for this transmission line which effects our reliability. Plus, the cost to make them remove and us to install new doesn't need to be considered now. As part of this project, it was also determined that it made most sense for Wolverine Power Supply Cooperative to engineer, design, and construct the additional work that is needed to attach their existing line to our existing transmission line. It involved 320 feet of transmission line and all of the terminations on the existing poles and the substation bus work. Staff feels this is best for them to perform this work because our linemen are not trained in transmission line work like this so we would be contracting out the engineering and the construction of it anyways.

19.077 Blendon Substation Asset Purchase Recommendation

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve the purchase of the Blendon Substation Assets including 650 feet of conductors and associated hardware from Wolverine Power Supply Cooperative for a total price of $104,000.00, approve the engineering and construction to be performed by Wolverine Power Supply Cooperative for the line work that is needed for an approximate cost of $60,000.00 and approve the pole attachment agreement as written. Motion carried.

Electric Transmission & Distribution
Manager DeKraker reviewed the Electric Department report and updated the Board on the Electric projects. She also informed the Board a grant was awarded in the amount of $5000.00 from the APPA Demonstration of Energy & Efficiency Developments (DEED) Grant Program to fund an intern for next year.

Electric Power Supply & Market Operations
Manager Mulder updated the Board on the current operations status, activities and projects.

Mulder explained to the Board that the Zeeland Board of Public Works (BPW) participates in the wholesale power market through the Michigan Public Power Agency (MPPA). In addition to the requirements of the BPW's Risk Management and Hedging Policy, the State of Michigan's Public Act 341 (PA341) requires that all electric providers annually demonstrate to the Michigan Public Service Commission (MPSC) that they own or have rights to sufficient capacity to meet 95% of their ISO capacity obligation 4 years after the current planning year (PY). In the case of the BPW, the Midcontinent Independent System Operator (MISO) is the ISO, and the demonstration requires that the anticipated planning reserve margin (PRMR) be satisfied at that level.

In order to comply with the aforementioned policy, BPW staff, with the support of MPPA, annually review its capacity planning resources, and solicits purchases if its internal and contractually allocated positions are insufficient. The BPW Energy Risk Policy Statement specifies that "Electric power, transmission, and/or capacity purchases of greater than one year are to be recommended by the BPW Board and approved by the Zeeland City Council."

Each year, BPW staff review and update the long-term forecasted energy and peak load requirements, based on a multitude of economic and regionally specific variables. This forecast is used by the BPW and MPPA for budgeting and long-term planning, and is also submitted to MISO for use in their overall system resource and adequacy planning. MISO's PRMR and the State's 95% requirement under PA341 are both derived from this long-term forecast. Mulder provided information for the next four (4) ISO planning years along with the calculated capacity necessary to satisfy both the PRMR and requirements of PA341. The BPW has insufficient capacity planning resources to meet the requirements of PA341 in planning years 2021/2022, 2022/2023, and 2023/2024, resulting in a need to purchase the stated amounts. Furthermore, it is also apparent that insufficient planning resources are available to meet the MISO PRMR necessary for planning year 2020/2021, however that will be addressed by a separate transaction in the coming months once the MISO requirements and available planning resources have been finalized.

Because the BPW is a participating member of the proposed MPPA Peaking Project, which if constructed could provide up to a 10.9MW allocated share of capacity beginning in PY2022/2023, the status of the project and the BPW's share of the project satisfy the requirements of PA341 beginning in PY2022/2023. However, due to uncertainty associated with the likelihood of the project reaching construction and the potential for increased costs due to a tightening capacity market, staff is inclined to execute this purchase as if the project did not exist, as a risk management strategy. This will result in 95% of the BPW's capacity needs being hedged in the aforementioned planning years, limiting its exposure to the market. If the proposed MPPA Peaking Project is constructed as planned, the BPW could have an estimated surplus capacity of 6.2MW in both PY2022/2023 and PY2023/2024, which would be sold by MPPA on its behalf. Although recent market transactions indicate that such a sale would likely result in a loss from the purchase, that is dependent on market conditions that exist at the time of the transaction.

19.078 MPPA Capacity Purchase Recommendation, Planning Years 2021/2022 – 2023/2024

Motion was made by Commissioner Walters and seconded by Commissioner Query to approve the Resolution authorizing the General Manager, subject to approval by City Council, to commit to purchase through the Michigan Public Power Agency the capacity amounts stated below, deliverable to MISO Zone 7 for the planning years indicated. The total maximum not-to-exceed commitment is $984,000.

*Planning Year 2021/2022: Up to 4,700 KW at a not-to-exceed price of $4.00 per KW-Month
*Planning Year 2022/2023: Up to 7,100 KW at a not-to-exceed price of $4.00 per KW-Month
*Planning Year 2023/2024: Up to 8,700 KW at a not-to-exceed price of $4.00 per KW-Month
Motion carried.

Mulder went on to explain explained to the Board that based on the long-term forecasted capacity requirements, the BPW has substantial open positions beginning in Planning Year 2024/25, which become significantly greater in planning years 2029/30 and beyond. Based on a review of the BPW's overall long-term capacity position and current market opportunities, MPPA is recommending a 15-year purchase of 8.1 MW for the period of June 1, 2025, through May 1, 2040. The not-to-exceed purchase price is $3.70 per KW-Month, which yields an overall maximum annual commitment of $359,640, or $5,394,600 over the entire 15-year term. A review of the BPW's multi-year forward capacity purchases since 2015 indicated capacity pricing consistent with the maximum price quoted by MPPA. Since 2015, multi-year forward capacity purchases have ranged in price between $3.40 - $4.00 per kW-Month. Based on a tightening capacity market due to the retirement of existing generating resources in MISO Zone 7, the current cost of constructing and operating a new plant, and the 15-year term of the transaction, staff recommended transaction to be attractive and a good fit for our portfolio.

19.079 MPPA Capacity Purchase Recommendation, Planning Years 2025/2026 – 2039/2040

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve the Resolution authorizing the General Manager, subject to approval by City Council, to commit to purchase through the Michigan Public Power Agency the capacity amounts as stated below, deliverable to MISO Zone 7 for the planning years indicated with the total maximum not-to-exceed commitments of $359,640 annually and $5,394,600 over the entire 15-year term of June 1, 2025-May31, 2040: Up to 8,100 KW at a not-to-exceed price of $3.70 per KW-Month. Motion carried.

The Michigan Public Act 342 (PA342), known as the Clean, Renewable and Efficient Energy Act, requires Michigan electric providers to achieve a retail supply portfolio of renewable energy of 12.5% in 2019, increasing to 15% in 2021. Furthermore, Section 61 of PA342 requires that electric providers offer customers the opportunity to participate in a voluntary green pricing program (VGP) and elect to receive additional portions of their energy from renewable sources. In accordance with the requirements of PA342, the Zeeland Board of Public Works (BPW) has been proactive in securing sources of renewable energy within the State through purchase power agreements (PPA's), both independently as well as through the Michigan Public Power Agency (MPPA). This has resulted in a diverse renewable energy portfolio, which includes landfill gas generation, wind farms, and most recently two (2) solar farms currently under development. The BPW receives renewable energy credits (REC's) monthly, for all energy produced by renewable sources in which it has an entitlement share. One (1) REC is received for each megawatt (MW) of energy generated, and incentive REC's are also received based on specific criteria.

In June of 2019, the MPPA Board of Commissioners voted to include Renewable Energy Compliance Management Services as part of its hedge policy for improved risk management, which was subsequently adopted by the BPW Board. Although the BPW has been timely in securing sources of renewable energy, unexpected delays in construction of the Pegasus Wind project have resulted in REC production below the forecasted amount, creating an anticipated open position of 957 REC's in year 2020. Because the project is included in the revised REC forecast, further delays could result in a larger open position in 2020, and potentially 2021. Although the BPW purchased 25,000 REC's earlier in the year for use in its 2018 compliance, an additional purchase of at least 718 is required to satisfy the hedge policy, due to the aforementioned delays with Pegasus Wind. Furthermore, since additional delays are not unforeseen, BPW staff recommends purchasing additional REC's if market opportunities exist. Based on the requirements of the BPW's hedge policy with regards to an anticipated deficiency in 2020 and uncertainty associated with the Pegasus Wind project, staff requests authorization to purchase REC's through MPPA that will satisfy the forecasted requirements and serve as a hedge against future production shortfalls.

19.080 MPPA Renewable Energy Credit Hedge Purchase Recommendation

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to authorize the General Manager to commit to purchase up to $10,000 of Renewable Energy Credits (REC's), yielding an estimated quantity of 12,500 as the actual quantity purchased will depend on market pricing that can be secured. Motion carried.

Mulder reported the generating units operated by the Zeeland Board of Public Works (BPW) utilize protective relays for electrical protection of the units. Both electro-mechanical and digital protective relays are present, and consist of reverse power, overcurrent, and differential relays among others. Based on standard industry practices, calibration and testing of protective relays should be performed at intervals of five (5) years for electro-mechanical and ten (10) years for digital devices. An audit of the relays at all three (3) generating facilities yielded a total of sixty-three (63) relays that are due for this service in the coming months. All of these devices are located at the Washington Generation Facility, and all but one of these are electro-mechanical type relays.

For a number of years, Theka Engineering Associates of Muskegon, MI, has provided this service for the BPW, in addition to providing generation related engineering services. Theka has consistently and repeatedly proven to be a valued contractor for the BPW, based on quality of service, technical expertise, knowledge of our equipment, and the timeliness of response when needed. A proposal to perform the required services was requested and received from Theka. Based on the quantity of relays to be tested and the proposal amount, staff thought it prudent to request a competitive bid. Upon reviewing the bids, staff felt the competitive bid, although slightly lower, validated the proposal pricing provided by Theka, and was not substantial enough to outweigh the value of the service that has historically been provided.

19.081 Protective Relay Testing and Calibration Service Bid Recommendation

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to award protective relay testing and calibration services to Theka Engineering Associates in the amount of $10,450.00 as presented. Motion carried.

Issue Media Group Cost-Share Participation with the City of Zeeland

City Staff was recently invited to form a unique regional partnership, led by Issue Media Group, to elevate local stories of growth along the lakeshore. Issue Media Group is a Michigan-based news company that creates weekly, editorially independent, solutions-oriented digital newsletters, specifically curated for the region in which it targets. IMG publications aim to connect readers to their city's most visionary and active people, businesses and organizations – the people who are making changes and solving problems. IMG currently has 12 digital products throughout the state, each is branded with its own identity. (i.e. Rapid Growth (Grand Rapids), Model D (Detroit).)

This is not an advertising partnership. We will have no direct authority over design, content or editorial. Additionally, our relationship with Issue Media Group will look different from traditional press releases and media interviews. This innovative partnership is one built on common interest. Approximately 12 municipalities and agencies along the Lakeshore are pooling resources and time to invest in a digital tool that will tell the story of growth: economic development, jobs, entrepreneurship, housing, education, health, transportation, placemaking, environment and arts & culture. Supporting and encouraging the impact that each partner is having on the region, as a whole. Though we cannot guarantee how many Zeeland-specific stories will be highlighted as a result of this initiative, we find value in aligning ourselves with other strong partners along the lakeshore to create a tool that builds momentum for the entire region. There is no doubt that collaboration is key and that we are stronger together. Issue Media Group has a proven track record, with 12 existing digital publications, IMG is

proficient in connecting communities and storytelling – which leads to more exposure and ultimately, the end goal is that it will trigger additional economic development for the region. BPW Staff thought this would be a good opportunity to enter into a one-year commitment with the City and split the cost.

19.082 Issue Media Participation with the City of Zeeland

Motion was made by Commissioner Walters and seconded by Commissioner Dykstra to authorize entering into a one-year commitment with Issue Media Group, consistent with terms stated in the proposal, with the total funding in the amount of $12,000.00 to be split 50/50 between the City of Zeeland and the Zeeland Board of Public Works. Motion failed.

Sprint Water Tower Antenna Lease Amendment

The Zeeland BPW Water Department is requesting approval of an Addendum to the 2006 Antenna Lease Agreement. The addendum was requested by Zeeland BPW staff to address future concerns with technology changes within the wireless provider market. The 2006 agreement only identified the number of antennas allowed by Sprint to be installed and did not address technology changes that have given rise to an increase in the amount of needed auxiliary equipment. Sprint has requested installation of three (3) additional radios (RRU's) and has agreed to pay an additional $150.00 per month for the duration of the current agreement with Zeeland BPW. The previous annual payment agreement was $25,410. The additional $150.00 per month brings Sprint's total annual payment for 2019 and 2020 to $27,210. Terms and annual payment structure are spelled out in the agreement.

19.083 Sprint Water Tower Antenna Lease Amendment

Motion was made by Commissioner Query and seconded by Commissioner Walters to approve the Lease Agreement between SprintCom, Inc. and Zeeland Board of Public Works for the installation and operation of additional antennas, radios, cables and associated equipment at the 80th Street Water Tank Site subject to final approval being given by both the General Manager and the City Attorney.
Motion carried.

AFEC Pre-Paid Gas Proposal

The Zeeland Board of Public Works (BPW) owns a 7.06 MW stake in the AMP Fremont Energy Center (AFEC), through the Michigan Public Power Agency (MPPA). The AFEC facility is a 703 MW natural gas fired combined cycle electric generating station located in Fremont, Ohio, operated by American Municipal Power, Inc. (AMP). In accordance with the executed Purchase, Commissioning and Operating Agreement (PCOA) between MPPA and AMP, AMP has the sole authority to manage, maintain, operate, and dispatch the AFEC facility. MPPA participates in fuel management for the project though the AFEC Fuel Sub Committee, and AMP invoices MPPA for its cost of all gas related charges under the PCOA.

In 2018, AMP advised MPPA that it was investigating the use of prepaid natural gas contracts, the purpose of which would be to execute a financial transaction to create economic value for the gas buyer (municipal entity). The most basic value of these transactions is derived from the difference between tax-exempt and taxable financing costs, which are favorable to municipal governments due to their tax-exempt status. In summary, although the term 'pre-paid' natural gas implies a forward purchase or hedging of actual fuel, it is not. Instead, a cost benefit is realized as a discount from the future indexed cost of natural gas, based on the benefits of the aforementioned financing arrangement.

A summary of the overall process is provided in the list below:

- A Municipal entity (Gas Buyer) calculates the amount of natural gas it will need over a long-term period (15-30 years) for tax-exempt use
- The Gas Buyer issues long term (15-30 year) tax-exempt debt ("Natural Gas Prepayment Bonds") to purchase natural gas via an upfront payment to a Gas Supplier, typically a financial institution

- The Gas Supplier delivers gas to the Municipal Issuer, the term of gas delivery aligns with the term of the Prepayment Bond
- Economic value is transferred to the Gas Buyer in the form of a discount to indexed price of natural gas

The aforementioned described transaction is expected to yield a minimum estimated savings of $0.30 per mmBTU, depending on interest rates at the time the transaction is executed. Based on preliminary transactions under review, AFEC is considering committing to a maximum of 58% of its total expected daily use for a term no greater than 15 years, or longer if appropriate opt-out language is included allowing for the potential closure of the plant. There is minimal anticipated downside to the proposed transaction, as the purchase cost for gas will be the index price, less some discount. The primary areas of concern are the commitments associated with the volume and term of the agreement, which are deemed to be low risk commitment due to the ability to remarket the gas.

Due to the terms of the PCOA, fuel management services provided by AMP on MPPA's behalf, and the potential for discounted energy production through reduced fuel costs, MPPA is recommending that members participate in this agreement. Based on MPPA Governance documents in place, action by the BPW Board or City Council is not required. Rather, this is a matter that will be considered and voted on by the MPPA Board of Commissioners based on a review and recommendation provided by the MPPA AFEC Project Committee. MPPA anticipates that this vote will occur at the December 2019 meeting of the Board of Commissioners. This is for information only. No action is requested by the Board or City Council at this time.

**Commissioner Dykstra left the meeting.

Michigan 2018 Rate Comparison Data
The American Public Power Association has compiled national data for utility revenue per kilowatt-hour for all sectors of the electric utility industry. Staff has provided in the packet graphical and tabular formats of this data for the state of Michigan under item 7.D. in the packet. The Zeeland Board of Public Works *is the lowest cost provider in the state for residential and commercial electric consumers, and the second lowest for industrial electric consumers*. The electric utility revenue per kilowatt-hour data for the entire nation is on file at the BPW for reference.

Detroit Metro Times Article, November 13, 2019
A news media article has been included under item 7.E. which provides positive press for Public Power Utilities at the expense of two of the state of Michigan's largest Investor-Owned Utilities – Consumers Energy and DTE. The article includes, among other things, a graphical depiction comparing outage indices of various Michigan electric utilities, including ZBPW. According to the article, the ZBPW is the *most responsive electric provider in terms of both annual average customer outage minutes and average minutes to restore power.*

Draft New Format of Utility Bill
In January of this year, the Board approved a contract with Harris North Star to develop the platform to present utility bills in electronic format with the objective being to facilitate customer use of online bill payment and bill presentment. This project is coming to fruition and draft sample bills of a residential and a commercial account are provided under packet item 7.F. for reference. Staff provided a verbal report about this project and deliverables.

APPA Smart Energy Provider Designation and Recognition
Tracey DeKraker attended the American Public Power Association Customer Connections Conference in New Orleans, LA, October 28-30 and, along with attendance at valuable customer service-related presentations, she accepted the Zeeland Board of Public Works' designation as a 2019-2020 APPA Smart Energy Provider. A picture of Tracey accepting the designation is in the packet along with a November 1, 2019

article from the Holland Sentinel about Zeeland and Holland's award of this important designation.

Upcoming Events

- **Next BPW Meeting – December 17, 2019, 3:30 p.m. ZBPW Board Room**
- Tree Lighting Ceremony, December 2, 2019, 6:15 p.m. Splashpad
- Magical Christmas Parade, December 2, 2019, 6:30 p.m., Downtown Zeeland
- BPW Holiday Luncheon, December 19, 2019, 11:30 a.m. – 1:30 p.m., ZBPW Offices

Motion was made and supported that the meeting be adjourned at 5:25 p.m. Motion carried.

Pamela Holmes

Pamela Holmes, City Clerk