

Regular Meeting
 Board of Public Works
 Water Warehouse
 September 21, 2021

The regular meeting of the Board of Public Works Commission was held at the BPW Water Warehouse, 330 E. Washington, Tuesday, September 21. Chairperson Boerman called the meeting to order at 3:30 p.m.

PRESENT: Commissioners – Chairperson Boerman, Query, Dykstra and Walters
 ABSENT: Commissioners – Vice-Chair Cooney

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

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to approve the minutes of the August 17, 2021 regular meeting. Motion carried. All voting aye.

Public Comment

No public comment given.

Safety Minute

The Safety Minute this month was regarding how to prevent the flu.

21.082 Approve Cash Disbursements and Regular Monthly Transfers

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve the August, 2021 cash disbursements and the regular monthly transfers for the month of September, 2021 as follows:

Cash and Investments as of: August 31, 2021

	Electric	Water
Receiving	\$798,403	\$350,326
Accumulated Debt Service (in Receiving Fund)	-	-
Plant Improvements and Contingencies	\$26,414,038	\$12,853,923
Bond and Interest Payment Reserve*	-	-
Totals	<u>\$27,212,441</u>	<u>\$ 13,204,249</u>

* Reserve required per electric and water revenue bond ordinances.

Recommended Transfers for the Month: August, 2021

	Electric	Water
Receiving	(42,309)	-
Accumulated Debt Service	-	-
Plant Improvements and Contingency	-	-
General Fund (per charter provision)	42,309	-

Motion carried. All voting aye.

Motion was made by Commissioner Query and seconded by Commissioner Walters to go into Closed Session at 3:41 p.m. to discuss the purchase of property. Motion carried. All voting aye.

The Board reconvened to the regular meeting at 3:50 p.m.

21.083 Add Agenda Item to Approve a Real Property Purchase

Motion was made by Commissioner Walters and seconded by Commissioner Query to add the agenda item to approve a real property purchase at 320 E. Washington and approve the purchase agreement. Motion carried. All voting aye.

Motion was made by Commissioner Walters and seconded by Commissioner Dykstra to waive the contingency that the purchase of property at 320 E. Washington Avenue is subject to an appraisal and hereby approve the purchase of the said property at 320 E. Washington Avenue, Zeeland, Michigan in accordance with the terms of a Purchase Agreement dated August 25, 2021, and further move to approve that all closing documents for this purchase may be signed by Andrew Boatright, as the BPW General Manager and by Pamela Holmes, as the Zeeland City Clerk. Motion carried. All voting aye.

Water Operations

Manager Levandoski reviewed the Water Department report and updated the Board on the Water projects, the Zeeland Water Bill Calculation for August 2021 and the Zeeland Water Usage for August 2021.

Electric Transmission & Distribution

Manager DeKraker reviewed the Electric Department and updated the Board on electric projects, the Riley Substation Outage Report and the Right-of-Way Tree Maintenance Report.

DeKraker explained the 13 single phase and 6 three phase pad mounted transformers are for upcoming street projects, other construction coming in the spring/summer of 2022 and inventory replacement. Due to the long lead times, we are having to order extra early this year and have added 5 extra single-phase transformers for projects that we aren't aware of above our normal inventory levels. We have done loss evaluation comparison on the transformers at no load and full load ratings, so although a transformer may be least expensive on the bid it may not be when adding in the losses.

For the single-phase transformer, four bids were received with Resco being the low bid. The three-phase transformers received a total of four bids as well with Irby being the low bid.

21.084 Transformer Purchase

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to award purchase of 13 single phase transformers to RESCO using Ermco transformers for \$43,484 and 6 three phase GE transformers to Irby for \$61,490. Motion carried. All voting aye.

Electric Power Supply & Market Operations

Manager Mulder updated the Board on current operations status, activities and projects including the Power Plant Control Room Remodel.

The Zeeland Board of Public Works (BPW) participates in the wholesale power market through the Michigan Public Power Agency (MPPA). Staff periodically review the BPW's long-term capacity resources in conjunction with its load forecast and changes in market conditions, to assess its resource adequacy planning.

The capacity deficiencies for the current planning year (PY2021/22) have previously been addressed to satisfy the Midcontinent Independent System Operator's (MISO) planning reserve margin requirements (PRMR), as have the compliance requirements of Michigan's Public Act 341 (PA341) for the current and next 3 planning years. However, prudent risk management and planning requires a longer-range view.

Due to tightening capacity markets in MISO Zone 7, a 10-year capacity purchase for PY2025/26 – PY2034/35 was recommended and executed in April of 2021 to address significant open positions, particularly in PY2025/26 – PY2027/28. These were partially due to the forecasted increase in load growth, but also the anticipated loss of existing capacity resources, including:

- Bilateral capacity purchases reaching term in PY2024/25 (10.7 MW), and PY2029/30 (10.0 MW)
- Anticipated closure of DTE's Belle River Facility in 2029 & 2030, a combined loss of over 11.0 MW
- Anticipated loss of Autumn Hills in 2024, resulting in a loss of 3.4 MW
- Anticipated retirement of the BPW's oldest generating assets, beginning in 2030/31

With the recent announcement of accelerated planned retirements of coal-fired generation resources in the region, market volatility is expected to continue. Accordingly, MPPA staff recommends that a 3-year capacity transaction be executed to address the majority of the BPW's remaining open position during PY2025/26 - PY2027/28.

Mulder provided the BPW's long-term capacity position for planning years 2021/22 – 2045/46, with the forecasted PRMR and recommended ZRC transaction amounts indicated.

A review of the BPW's multi-year forward capacity transactions since 2015 indicated that multi-year forward capacity transactions with outside parties ranged in price from \$3,400 - \$5,000 per kW-Month, with an increase seen in recent years. Based on a tightening capacity market due to the retirement of existing generating resources in MISO Zone 7, staff believes the recommended transaction to be attractive and a good fit for our portfolio.

21.085 MPPA Capacity Purchase Recommendation for Planning Years 2025/26-2027/28

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve resolution authorizing the General Manager to commit to purchase through the Michigan Public Power Agency, the capacity amounts deliverable to MISO Zone 7 for the planning years stated above. The maximum purchase commitment total is \$720,000 over the 3-year term.

The BPW's Energy Risk Policy Statement specifies that transaction terms greater than five years (beyond the prompt year) are to be recommended by the BPW Board and approved by City Council. Accordingly, if approved by the BPW Board, the attached resolution will be presented to the Zeeland City Council on October 4, 2021. Motion carried. All voting aye.

Mulder explained that Generation Unit #11, which is located at the Washington Ave. Generation Facility, is a Cooper Bessemer LSV series, 20 cylinder reciprocating internal combustion engine (RICE) that produces 6,000 kW at full load, and operates on both diesel and natural gas. The unit was manufactured and installed in 1980, and is the largest in the BPW's fleet, and the newest unit at that facility.

While operating the unit on August 20th in response to a MISO Day-Ahead market dispatch, an exhaust leak originating from the exhaust manifold was identified and subsequently confirmed to be a cracked manifold expansion joint. The unit was removed from service for maintenance, to prevent damage to control wiring and other devices in the vicinity of the leak. Like most engine exhaust components, this is an item that requires periodic replacement due to thermal cycling and age. The existing components were last replaced in 1999, approximately 2,250 operating hours ago. Although only two of the expansion joints are thought to be leaking, staff intends to replace all ten due to the labor required to perform this service, and the likelihood of additional failures due to age and the disturbance caused by removing and re-installing the manifold assembly.

Similar repairs were completed by Power Production Department Maintenance staff on Unit #10 in 2018, and staff anticipates they will be able to complete this repair without the need for additional contract labor. Accordingly, an estimate for the necessary material was requested and received from Wheeler World Inc. of Gambier, Ohio. For some time, Wheeler World Inc. has been the BPW's preferred vendor to support its three Cooper Bessemer units (Units 9-11), due to their familiarity and history with the units, and staff recommends that this material purchase be sole-sourced accordingly.

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to award Wheeler World, Inc. be selected to supply the material necessary to complete the Unit #11 exhaust manifold repair, for a total estimated cost of \$30,787.17 plus freight. Motion carried. All voting aye.

Mulder reported the Zeeland Board of Public Works (BPW) has adopted an Energy Risk Management Policy Statement which ratifies the MPPA Power Supply Risk Management Policy (May 2020) as that which governs its power supply risk management and hedging strategies. This policy statement appoints the General Manager as the organization's Member Authorized Representative, and establishes internal authority limitations for transactions involving electric energy, transmission, capacity, and similar products.

To better serve its members, MPPA staff recently revised the Power Supply Risk Management Policy (PSRM). A summary of these changes includes the following of significance:

1. To further define the Hedge Plan planning horizon, the term "prompt year" was added, which is defined as the balance of the current year plus the entire next calendar year.
2. Member Power Supply Portfolio Risk Management Election Form: Selections were adjusted to better reflect services required when MPPA acts as the Market Participant in MISO and PJM.
3. Financial Transaction Rights (FTR's): Language was added to the policy to enhance the meaning and clarify authorization regarding the use of FTR's, which were an approved instrument. These include changes to the Hedge Policy to manage congestion risk and Appendix C (Transaction Authority Matrix).
4. Counterparty Concentration Limits: Initially set at 35% for capacity and energy for each calendar year, as described in the Credit Policy (Exhibit A).
5. Emissions Transaction Policy (Appendix E, New): A new policy that provides general guidance for these low-risk transactions, as a formal policy did not previously exist.
6. Credit Policy: Edits were made to the policy to address changes in the application used to monitor credit risk, and reporting. Appendix C provides the concentration and all transactional limitations.
7. Added a Table of Contents to the document, and other non-substantive formatting edits.

At the August 11th, 2021 meeting of the MPPA Internal Risk Management Committee (IRMC), MPPA staff recommended and the committee approved the revised MPPA Power Supply Risk Management Policy as proposed. In accordance with the revised MPPA Power Supply Risk Management Policy, the BPW's Energy Risk Management Policy Statement has been updated to reflect the changes to the transaction authorization requirements, and references to the revised MPPA PSRM.

21.087 Energy Risk Management Policy Statement Revisions

Motion was made by Commissioner Query and seconded by Commission Dykstra to approve the revised BPW Energy Risk Management Policy Statement which ratifies the revised MPPA Power Supply Risk Management Policy (August 2021) and aligns with the proposed transaction authorization requirements. Motion carried. All voting aye.

Sligh Block Visioning Team

The City Manager's office has held numerous discussions with GDK regarding the redevelopment of the Sligh Furniture Building and surrounding parcels. GDK has expressed interest in working with the City on master planning the entire block bounded by Main Avenue, Maple Street, Centennial Street, and Washington Avenue. As of this memo, the proposed master planning team members would include representatives from the City, BPW, GDK, and Zeeland Public Schools and consultants working on behalf of the City. Commissioner Query has volunteered to serve on this master planning team.

Strategic Planning Process Discussion

Steve VanderMeer, Hometown Connections, Inc., and I have been in touch regarding the strategic planning engagement approved by the Board at the August 2021 meeting. Typical of any strategic planning process, there will be a substantial time commitment for the Commissioners who will be serving in an advisory role. Steve has

expressed that given a start date in October, the process can be substantially complete by year's end. However, the November and two December holidays always create scheduling challenges and it may feel rushed if we attempt to crowd this initiative into the next three months. Having said this, if we push this effort into 2022, I am also concerned about the additional time commitment required of the leadership team, who will be serving in an implementation role, especially in light of an anticipated heavy project load after the first of the year (Electric and Water AMI, North Warehouse construction, Perry and Riley substation projects, to name a few big ones). Bottom line: There is never a perfect time to do strategic planning. But this effort is obviously a very important endeavor for ensuring the utility remains focused on goals that are aligned with industry trends, stakeholder needs, and direction given by our governing bodies. The last strategic planning process took place in 2018 and was conducted over a three-month period (February through May). That process involved the Board, City Council, staff, and stakeholders.

The process used by Hometown Connections for strategic planning recommends Commissioner contact time of 3 – 4-hour sessions spread-out over three or so months. Steve has shared that he has availability to be on-site during the following weeks:

September 27

October 4

November 1 (Thursday/Friday only)

November 8 (Thursday/Friday only)

November 15

November 29 (Thursday/Friday only)

December 6

December 13

Obviously, Boatright is concerned about burdening the Commissioners with, potentially, 12 hours of meeting time in addition to the significant regular meeting time to which they are already committed. We can attempt to attach one or more strategic planning sessions to a regular Board meeting date in attempt to mitigate the need to coordinate a special meeting date(s). The Board agreed that Tuesday, October 5 at noon would work the best for everyone involved for the first meeting.

Utility Financial Solutions, Inc. (UFS) Letter of Engagement for the Development of a Green Rate

Staff is informing the Board of Commissioners that we will be engaging the utility rate consulting services of UFS to assist us in the development of a green rate for the Commercial and Industrial customer rate classes. UFS has performed numerous cost-of-service and rate design studies for ZBPW in the past, the most recent of which was the Water Utility connection fee study. We have been very pleased with services provided by UFS.

This initiative has been prompted by requests by at least two of our large industrial customers who are desirous of establishing corporate sustainability objectives. This engagement will consider various options in the development of a green rate including, but not limited to, the purchase of Renewable Energy Credits on behalf of a ZBPW customer, customer participation in a utility-scale renewable project, and associated economic and policy impacts in offering such rate options. A possible outcome is a rate rider similar to that of the Residential Voluntary Green Pricing Program rate which adds a per kilowatt-hour charge based on a percentage amount of renewable energy credits selected by the customer. A commercial/industrial green rate is relatively uncharted territory in the electric utility industry primarily because of the need to secure much higher volumes of a renewable product or resource on behalf of a customer. Staff feels that we need to be responsive to customers' needs in this regard and we anticipate greater demand for these rate offerings in the future.

UFS has provided an estimated cost of \$9,000 for this engagement. The Electric Utility consulting budget will support this expense. In light of the recent interest expressed by the aforementioned large industrial customers, we want to embark on this mini rate study as soon as possible. Staff will also soon be engaging our rate consultant for a full electric cost-of service and rate design study which will be brought to the Commissioners for consideration in the not-too-distant future.

Motion was made by Commissioner Query and seconded by Commissioner Walters to approve the Letter of Engagement for the Development of a Green Rate. Motion carried. All voting aye.

Email From GM to Representative Huizemga

MMEA has asked members to send an email to our federal legislators requesting consideration on tax legislation that is impactful to public power.

City on a Hill Thank You Letter

Gary Ellens sent us a very nice letter of appreciation for the Community Grant funding in support of their HVAC upgrade capital campaign.

Customer Service Utility Building Metrics and the IT Services On-going Projects Update

Boatright included the Utility Payment Statistics and the IT Services Project Update in the Board Packet for review.

Upcoming Events

- **Next Regular ZBPW Board Meeting, October 19, 2021, 3:30 p.m., Water Warehouse Meeting Space**
- MMEA 2021 Fall Conference, October 6-7, 2021, Lansing, MI
- MPIA Fall Board Meeting, Monday, October 18, 2021, Grand Haven BLP

Boatright explained to the Board a billing error was discovered on electric invoices for Emergent Malt. Boatright has been in contact with the owner regarding this and will report back to the Board with any updates.

Motion was made and supported that the regular meeting be adjourned at 6:15 p.m. Motion carried. All voting aye.

Pamela Holmes, City Clerk