

Regular Meeting  
 Board of Public Works  
 Water Warehouse  
 January 10, 2023

The regular meeting of the Board of Public Works Commission was held at the BPW Water Warehouse, 330 E. Washington, Tuesday, January 10, 2023. Chairperson Boerman called the meeting to order at 3:30 p.m.

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

ABSENT: Commissioners – None

Staff Present: General Manager Boatright, Electric Power Supply & Market Operations Manager Mulder, Water Manager Levandoski, Utility Accounting & Finance Manager Chrisman, T & D Manager Coots and City Clerk Holmes

Motion was made by Commissioner Dykstra and seconded by Commissioner Query to approve the minutes of the December 13, 2022 Regular Meeting. Motion carried. All voting aye.

**Public Comment**

No public comment given.

**Safety Minute**

The Safety Minute this month was regarding “How to Deal with Cabin Fever”.

**Financial Reports**

Chrisman gave an update on the Electric Department and Water Department’s revenues, expenditures, assets and electric rates and fees.

23.001 Approve Cash Disbursements and Regular Monthly Transfers

Motion was made by Commissioner Query and seconded by Commissioner Cooney to approve the November, 2022, cash disbursements and the regular monthly transfers for the month of November, 2022 as follows:

Cash and Investments as of: October 31, 2022	<b>Electric</b>	<b>Water</b>
Receiving	\$391,191	\$462,427
Accumulated Debt Service (in Receiving Fund)	-	-
Plant Improvements and Contingencies	\$19,463,590	\$13,475,345
Bond and Interest Payment Reserve*	<u>-</u>	<u>-</u>
Totals	\$19,854,781	\$13,937,773

\* Reserve required per electric and water revenue bond ordinances.

Recommended Transfers for the Month: November, 2022

	<b>Electric</b>	<b>Water</b>
Receiving	(44,214)	(55,000)
Accumulated Debt Service	-	-
Plant Improvements and Contingency	-	55,000
General Fund (per charter provision)	44,214	-

Motion carried. All voting aye.

### ***Water Operations***

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

### ***Transmission and Distribution Operations***

Electrical Transmission and Distribution Manager Coots updated the Board on activities including the T & D Department Report.

### ***Electric Power Supply & Market Operations***

Manager Mulder updated the Board on current operations status, activities and projects.

Mulder explained in June of 2021, a recommendation to participate in a twenty (20) year power purchase agreement (PPA) for renewable solar energy through the Michigan Public Power Agency (MPPA) was presented and subsequently approved by the BPW Board and City Council. The BPW's allocation is 11.2% of MPPA's portion of the project, resulting in an installed capacity of approximately 5.6 MW. The facility will be constructed in Oceana County, and its Commercial Operating Date (COD) was scheduled for the fourth quarter of 2023.

Like other utility scale solar projects, supply chain disruptions and increased costs due to materials and international trade tariffs have impacted the project. Because the project developer, Hart Solar Partners LLC, and the members of MPPA are mutually desirous of completing the project, an amendment to the PPA was recently negotiated to resolve potential disputes; these include a delayed COD and a new Contract Rate. The general terms of the amendment and revisions to the PPA are outlined below:

#### Hart Solar Partners, LLC – PPA Amendment Summary

- Product: Energy, capacity, environmental attributes, and reactive power services - No Change
- Contract Term: 20-Years from COD - No Change
- Commercial Operating Date (COD): No later than December 1, 2025 (Extended from Q4, 2023)
- Contract Rate: 15.2% increase
- Projected Total Increase in BPW's Contract Cost over the 20-Year Term
  - o Increased Gross Contract Cost: \$1,407,403.00 (increase of \$6.40/MWh)
  - o Increased Net Present Value Cost: \$985,622.00 (increase of \$4.48/MWh, 4% discount rate)

Based on current market opportunities for similar projects, the economics and schedule of this project remain attractive, and replacement would neither reduce forecasted power portfolio cost nor risk.

At the December 14, 2022 meeting of the MPPA Board of Commissioner's (BOC), the BOC passed a resolution approving the Amendment to the Hart Solar Partners PPA as outlined above, contingent upon member approval. Because the terms of the agreement have substantively changed under this amendment, staff again requests approval to participate in this project per the revised terms. The total forecasted financial commitment over the twenty (20) year contract term is \$10,665,477.00.

In accordance with the BPW Energy Risk Management Policy, transaction terms greater than five years require approval from the BPW Board and City Council. Staff recommends that this Amendment be accepted as presented, and requests approval for the BPW General Manager as the "Authorized Representative" under the MPPA Energy Services Project Agreement to commit to these revised terms, subject to approval by City Council and sufficient MPPA member participation. Commitment from MPPA members is required by January 31, 2023, for the project to proceed

#### 23.002 Resolution to Amend the MPPA Hart Solar Power Purchase Agreement

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to approve the Resolution to amend the MPPA Hart Solar Power Purchase Agreement as presented and approves the BPW General Manager as the

“Authorized Representative” under the MPPA Energy Services Project Agreement to commit to these revised terms, subject to approval by City Council and sufficient MPPA member participation. Motion carried. All voting aye.

Mulder reported on December 23, at 18:00 EST, an Emergency Operations Load Modifying Resource (LMR) Deployment notification was received from MISO as the electric system was operating under emergency conditions due to higher than forecasted load, and forced generation outages. The scheduling instructions stated that all MPPA generators in the Lower and Upper Peninsulas were to be at full output during the hours of 18:00 – 22:00 EST that day. A two-hour response time meant that all units had to be online and at full output by 20:00 EST. This is only the third time that MISO has issued an LMR Deployment for the BPW’s region.

BPW staff responded promptly after verifying the notification, and started the Riley and West Washington remote generation facilities while staff prepared the units at the Plant for operation. Once the operator on-call and supporting staff arrived at the Plant, preparations were completed and units were started and brought online in the following order: Unit #11, #10, #9, #1, and #2. It should be noted that during this time, blizzard conditions were present with an ambient temperature of 6°F, snow showers, and sustained wind speeds of 25mph gusting to near 50mph. Due to severe weather and dangerous travel conditions, the decision was made not to call-in additional Power Plant staff for support, and to limit equipment operations to what could be safely managed by the three members of staff on-site.

After operating for nearly thirty minutes, twenty-two of which were online and loaded, Unit #10 experienced an engine malfunction that resulted in it tripping offline, followed by an immediate shutdown. Staff called in Larry Wheeler of Wheeler World Inc. to evaluate the damage and determine the likely cause, due to his expertise with Cooper Bessemer equipment and decades of servicing the BPW Units #9-11. A preliminary investigation indicated a scoured piston and cylinder liner on the 3rd cylinder of the right-hand bank to be the likely issue; no other significant damage was identified, but further evaluation will be performed. The root-cause of the event is still being evaluated.

Based on the preliminary investigation, Wheeler World Inc. provided a budgetary estimate of \$90,000.00 for the repairs. With supply chain disruptions and material lead-times, the BPW is fortunate to have both a cylinder liner and piston on-hand, so the anticipated material required for repair includes piston rings, gaskets, and the like which should be readily available. Staff does intend to order a replacement liner and piston for stock, due to the extended lead-times associated with this material.

Based on the Unit’s 5,600 kW nameplate rating and a projected capacity value of \$5.24/kw-month for MISO Zone 7 in Planning Year 23/24, the unit provides an estimated value of \$29,344 per month and \$352,128 annually. Accordingly, the projected return-on-investment is less than four months. Based on the estimated cost to repair, return on investment, and impact extended forced outages have on accredited capacity, staff has provided verbal authorization for Wheeler World Inc. to proceed with further evaluation and preparations for repair.

### 23.003 Power Plant Unit #10 Engine Malfunction & Repair Recommendation

Motion was made by Commissioner Walters and seconded by Commissioner Cooney to recommend that a Professional Services Contract be issued to Wheeler World, Inc. in the amount not to exceed \$90,000.00 for the services presented and approve a contingency of \$10,000.00 for unknown repairs not yet determined, for a total project budget of \$100,000.00. All costs associated with this project will be charged against the FY2023 Capital Improvement Plan Budget, and a budget amendment requested accordingly for this emergency expense subject to City Council approval. (If costs exceed our \$100,000 deductible, a claim will be submitted to our insurance carrier for reimbursement of expenditures above that threshold. The use of funds held through MPIA are also eligible for this expenditure.) Motion carried. All voting aye.

### ***Accounting, Finance & Customer Service Update***

Manager Chrisman updated the Board on current operations status, activities and projects.

## ***Other Business***

### FY2024 Budget Timeline:

The budget milestone timeline was included in the Board Packet. Boatright asked the Board to take note of the Special Board of Commissioner meeting scheduled for Tuesday, February 21, 2023 with a tentative start time of 3:30 p.m. Staff requests the Commissioners' feedback as to whether the special meeting date and time can be accommodated by the members.

### Lakeshore Advantage Industry Trends Report:

Boatright included the report from Lakeshore Advantage in the Board Packet regarding their interviews with over 120 companies in the area.

### Proposed Non-Traditional Electric Rates and Line Extension Policy:

Staff wishes to, again, postpone consideration of the proposed non-traditional rate structures and line extension policy until the February meeting.

### ***Upcoming Events***

- **Next Regular ZBPW Board Meeting, Tuesday, February 14, 2023, 3:30 p.m., Water Warehouse Meeting Space.**
- Martin Luther King Jr. Day, Monday, January 16, 2023 – All City Offices Closed.
- City Council 2023 Goal Setting Sessions – Monday, January 23 and Wednesday, January 25, 2023, 5:30 p.m., Howard Miller Community Center.
- **2022 Holiday Power Dollars Expiration Date – January 31, 2023.**

Motion was made and supported that the regular meeting be adjourned at 5:01p.m. Motion carried. All voting aye.

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Pamela Holmes, City Clerk