

Regular Meeting  
Board of Public Works  
Water Warehouse  
September 12, 2023

The regular meeting of the Board of Public Works Commission was held at the BPW Water Warehouse, 330 E. Washington, Tuesday, September 12, 2023. 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: BPW 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 Query and seconded by Commissioner Walters to approve the minutes of the August 8, 2023 Regular Meeting. Motion carried. All voting aye.

**Public Comment**

No public comment given.

**Safety Minute**

The Safety Minute this month was regarding Thinking Safety in the Fall as the Weather Changes.

**Proposed Board Packet Distribution Changes**

IT Network Engineer Bieri was present to explain the proposed Board Packet Distribution process. The new process would provide several benefits including:

1. Minimize storage requirements in the email system.
2. Reduce barriers of access to packet information.
3. Update the process for receiving and viewing information provided.
4. Eliminate DropBox.
5. Increases security.

Microsoft Teams will provide historical access to BPW Board packets, updates and other relevant documents which are not posted on the website. Implementation of the proposed changes will be coordinated with BPW Board and leadership to ensure a successful implementation.

**Financial Reports**

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

23.061 Approve Cash Disbursements and Regular Monthly Transfers

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to approve the July, 2023, cash disbursements and the regular monthly transfers for the month of July, 2023 as follows:

Cash and Investments as of: July 31, 2023	<b>Electric</b>	<b>Water</b>
Receiving	\$448,873	\$261,652
Accumulated Debt Service (in Receiving Fund)	-	-
Plant Improvements and Contingencies	\$17,926,257	\$12,071,065
Bond and Interest Payment Reserve*	-	-
Totals	\$18,375,130	\$12,332,718

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

Recommended Transfers for the Month: July, 2023

	<b>Electric</b>	<b>Water</b>
Receiving	(49,610)	-
Accumulated Debt Service	-	-
Plant Improvements and Contingency	-	-
General Fund (per charter provision)	49,610	-

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.

Levandoski reported in September 2022, Dixon Engineering completed an interior Inspection on the 5MG Water Reservoir located at Zeeland Generating Station (ZGS). The exterior overcoat system was applied in 2017 and remains in good condition. During the recoating project, spalls and cracks on the roof were repaired and do not show signs of deterioration. Michigan Department of Environment, Great Lakes, and Energy, (EGLE) is aligning their recommendation for potable water storage assets with those contained in the Ten States Standard, Recommended Standards for Water Works.

This includes providing safe access equipment for workers climbing on the tank's roof to verify the condition of the roof vents and manways. Dixon Engineering recommends the installation of a fall prevention cable on the roof to allow workers safe access to the center roof vent.

EGLE recommends that the end of the exterior overflow pipe has a 12-24" air gap with a 24-mesh screen flap gate or duck bill valve. Based on the existing construction of the overflow pipe and splash pad, installing a screened flap gate or duck bill valve would require the existing 90-degree elbow to be removed and replaced with a 45-degree elbow or the splash pad to be removed and lowered. It is recommended to replace the 90- degree elbow on the end of the pipe with a 45-degree elbow and screened flap gate.

The wet interior coating on the vertical sidewall joints was applied after the tank's construction in 2002 and are still in good to fair condition. There are two types of coating applied on the sidewall joints, with one type appearing to be an epoxy topcoat that is delaminated from a reddish undercoat. The reddish undercoat appears to be intact. The second type of coating system is a rubberized material that has blistering on the surface of the coating film. Blistering of a rubberized coating is a common deficiency where air gets entrapped into the coating film during the application process and is unable to escape before the top of the film skins over and hardens. The blisters are on the surface of the coating film and there was no evidence that they are affecting the adhesion of the coating to the surface. It is recommended to remove all non-adhered coating from the vertical sidewall joints and determine if the underlying red coating is intact or requires replacement.

The floor of the reservoir was not coated during the original construction of the tank in 2002. Shortly after construction, cracks in the floor appeared and were caulked and monitored over the next couple of years. It was determined that the cracking was inactive at that time and their condition appears to be unchanged. As a preventative measure, the application of a coating system over the floor surface would inhibit future deterioration by providing a barrier protectant over the cracks in the concrete surface.

One bid was received from Fedewa, Inc. to perform all the work as described in the Contract Documents, including all labor and material for the following items:

- Install Roof Fall Prevention Device (\$2,500)
- Wet Interior Floor Surface Preparation and Coating (\$227,000)
- Wet Interior sidewall joint surface preparation (\$27,000)
- Wet Interior Sidewall Joint Coating-150 lineal feet (\$3,000)

## 23.062 5MG Reservoir Interior Paining Project

Motion was made by Commissioner Walters and seconded by Commissioner Query to award the bid for the 5MG Reservoir Painting Interior Project to Fedewa, Inc. in the amount of \$259,500.00 with an additional 10% for contingencies for a total amount of \$285,450.00. Motion carried. All voting aye.

### ***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, projects and buildings & grounds. Mulder also gave an update that MPPA Staff are evaluating potential opportunities that could serve as long-term capacity and peaking resources. Additional information will be shared as those opportunities are evaluated.

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, for a facility to be constructed in Calhoun County, Michigan. The BPW's allocation is 11.6% of MPPA's portion of the 125 MW project, resulting in an installed capacity of approximately 2.9 MW. Its Commercial Operating Date (COD) was originally scheduled for the fourth quarter of 2022, but was extended to December 31, 2023, by an Amendment ratified by the MPPA Board of Commissioners (BOC) on November 10, 2021.

Like many other utility scale solar projects being developed across the country, the project has encountered development challenges resulting from international trade disputes, supply chain disruptions, and significant material and labor increases over the past two years. As a direct result, the developer is unable to achieve the COD required in the amendment and is unlikely to complete the project. Although the MPPA and BPW would receive the development security deposit as a result, it does not replace the energy, capacity, and other attributes needed from a project such as this, and one that is at an advanced stage of development.

Over the past few months, MPPA has engaged in negotiations with the project developer to amend the PPA in a manner that would make construction of the project feasible, based on terms that are mutually beneficial and reflect the current market. The general terms of the amendment and revisions to the PPA are outlined below.

#### Calhoun Co. Solar Project PPA – 2<sup>nd</sup> Amendment Summary

- BPW Project Offtake: 2.9 MW (11.6% of MPPA), 6,270 MWh/Year (~1.0% BPW's Energy) - No Change
- Product: Energy, capacity, environmental attributes, and reactive power services - No Change
- Contract Term: 20-Years from COD - No Change
- Commercial Operating Date (COD): March 1, 2025 target, but no later than May 30, 2025
- Contract Rate: ~45% Increase
- Projected Total Increase in BPW's Contract Cost over the 20-Year Term
  - o Increased Gross Contract Cost: \$2,314,629.00
  - o Increased Net Present Value Cost: \$1,625,323.00 (4% discount rate)

A summary of the critical project attributes that MPPA staff used in deciding to pursue this Amendment include:

- PPA Price: Although the rate increased significantly, it remains below the current market for similar solar PPA's, demonstrating a commitment by the developer to share in the cost increase. Pricing remains favorable compared to market alternatives and has a positive mark-to-market.
- Financial Security: The Development Performance Security was increased to \$3.375 Million, Three-times the original value demonstrating the developer's confidence and commitment to the project.

- Developer: AES Clean Energy, the company that acquired the project from Savion, is a global energy company operating in 15 countries. AES brings significant experience, resources, and scale, raising MPPA's confidence that the project will be completed.
- Project Interconnection Status: This project has an advanced status, having completed MISO's study process, and executed a Generator Interconnection Agreement with the Michigan Electric Transmission Company (METC). Furthermore, all necessary transmission interconnection upgrades for the project have been constructed.
- Project Development Status: Very Mature. A Conditional Use Permit with the local township has been obtained, and AES has strong partnerships with large Engineering Procurement and Construction companies to complete the project. Furthermore, equipment supply agreements have been executed for all significant project equipment (modules, inverters, solar panels, etc.). These markets have experienced substantial pressure in recent months due to incentives in the Inflation Reduction Act.

Based on MPPA's evaluation of current market opportunities for similar projects, the economics and schedule of this project remain attractive, and replacement would neither reduce long-term forecasted power portfolio costs nor risk.

At the August 9, 2023, meeting of the MPPA Board of Commissioner's (BOC), the BOC passed a resolution approving a 2nd Amendment to the Calhoun County Solar Project Power Purchase Agreement per the terms 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 \$7,416,382.00, which yields a total net present value of \$5,207,754.00 assuming a 4% discount rate.

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 September 30, 2023, for the project to proceed.

#### 23.063 MPPA Calhoun Co. Solar Project PPA – 2<sup>nd</sup> Amendment Recommendation

Motion was made by Commissioner Dykstra and seconded by Commissioner Walters to accept the 2<sup>nd</sup> Amendment Recommendation for the MPPA Calhoun Co. Solar Project PPA 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 August 19, 2008, the Zeeland Board of Public Works (BPW) executed a Renewable Energy Power Purchase Agreement (PPA) with North American Natural Resource (NANR) to receive energy, capacity, and Renewable Energy Credits (RECs) associated with electricity generated from landfill gas produced at the Autumn Hills landfill facility in Zeeland Township. The facility is connected to the BPW's distribution system and serves as a contracted behind-the-meter generation resource like BPW owned on-system generation assets.

The PPA has a term of 15-years, reaching maturity on June 30, 2024. At the present time, 4.0 MW of generating capacity is installed at the facility, the maximum allowed under contract, producing between 13,000 and 24,000 MWh of energy annually over the past four years. For several reasons, generation has declined in recent months producing only 13,100 MWh in 2022, with 2023 projected to be similar.

On August 11, 2022, Kinetrex Energy (Kinetrex), a Kinder Morgan Company, purchased North American Natural Resources (NANR) and its assets. Since that time, staff have actively been engaged in discussions regarding their new ventures and discontinued operation of the landfill gas (LFG) generation facility in its current form when the PPA reaches term. For several years now, staff have anticipated that the agreement would not be renewed beyond June 30, 2024, and have been working with MPPA to procure replacement resources.

In recent weeks, Kinetrex has inquired about amending the PPA to alter some of the terms, including early termination of the agreement. Because the generating units are registered with MISO through the end of the current planning year, May 31, 2024, the units must remain operational and available to respond to emergency operations until that time. In summary, both parties agree that the LFG facility will continue to operate consistent with current operations generating similar amounts of energy, but without the associated environmental attributes (Renewable Energy Credits). BPW staff is agreeable to these terms so long as the contract rate is revised to reflect those changes, and our capacity obligations to MISO are satisfied. A summary of the revised terms is provided below:

1. The contract term shall be reduced by one month, extending through May 31, 2024, satisfying the requirements for MISO capacity accreditation in planning year 2023-2024.
2. The facility will be de-registered with regulatory entities, and no longer considered a source of renewable electric power generation. Accordingly, the BPW shall no longer receive RECs for energy generated by the facility. As the owner/operator, this task shall be the responsibility of Kinetrex.
3. Energy received from the facility by the BPW will be compensated at the following rates:

<u>Current PPA Price</u>	<u>Amended PPA Price</u>
2023: \$101.95 / MWh	2023: \$45.00 / MWh
2024: \$104.50 / MWh	2024: \$45.00 / MWh

These terms supersede those that conflict in the existing Agreement, all others shall be preserved and remain unaltered. City Attorney Donkersloot has reviewed the original PPA to confirm that it can be amended as desired so long as both parties agree. Attorney Donkersloot also drafted the proposed Amendment based on a memo of understanding which established the mutually agreed upon terms.

If accepted, the proposed Amendment will commence on October 1, 2023, or retroactively to September 1, 2023, if desired by both parties. Due to the shortened term of the agreement, replacement energy will be procured through MPPA for June 2024 to maintain the BPW's hedge position compliance with its risk management policy. With the reduction in contract rate, the BPW will realize a net avoided cost exceeding that which is required to repurchase the energy and renewable energy credits lost under this Amendment, making it financially beneficial to both the organization and its rate payers.

Kinetrex Energy and BPW staff have also engaged in discussing the long-term use of the existing generation facility and how it can be utilized in a manner which is mutually beneficial to both organizations. Staff have expressed an interest in establishing a future use for that facility that is mutually beneficial and anticipates discussions involving a new PPA or agreement in the coming months. Although several options have been proposed, Kinetrex is presently focused on their new venture and achieving the timeline established for that project.

23.064 Autumn Hills Landfill Gas Generation Renewable Energy PPA – Amendment Recommendation

Motion was made by Commissioner Query and seconded by Commissioner Dykstra to approve the proposed amendment to the Autumn Hills Landfill Gas Generation Renewable Energy PPA which will terminate the agreement early by 30 days (May 31, 2024), eliminate the renewable energy credits associated with electric power generated by the facility, revise the contract rate to \$45.00MWh for the duration of the amended contract term and the proposed agreement shall commence on October 1, 2023, or if mutually agreeable to both parties, retroactively to September 1, 2023 as presented subject to City Council approval. Motion carried. All voting aye.

Mulder explained in February of 2023, the Zeeland Board of Public Works (BPW) purchased property located at 314 E. Washington Ave., adjacent to the 320 E. Washington Ave. and 49 N. Centennial St. property which the BPW purchased

previously. Based on the location of these properties with respect to BPW facilities, staff believed these presented long-term strategic opportunities that should not be passed over. After evaluating the condition of the structures, staff recommended that they be removed, and an application for demolition was subsequently submitted and approved by the City of Zeeland Planning Commission on June 1, 2023.

Following approval by the City Planning Commission, a bid package was developed in conjunction with the City’s plan to remove the structures at 314 & 320 E. Washington Avenue. A summary of the scope of work includes the abatement of all hazardous material, the removal of all structures, and backfilling/compacting of the site in preparation for top-soil and final grading (to be performed by others). The bid package was released in early August, and bids were received from three (3) contractors on August 31, 2023. Based on the project bids, costs incurred to-date, and anticipated landscape restoration, a total project cost estimate is provided below.

<b>Item</b>	<b>Description</b>	<b>Estimate</b>
1	Asbestos Assessment Inspection (Complete)	\$2,810.00
2	BPW & City Water & Sanitary Sewer Utility Service Disconnections (Complete)	\$9,500.00
3	Demolition, Hazardous Material Abatement, Utility Service Disconnect Fees, etc. (Bid)	\$27,000.00
4	Landscape Restoration: Final Grading, Top-Soil Seeding, Irrigation, etc. (Estimate)	\$5,000.00
5	Moore + Bruggink Property Survey & Staking Services (Estimate)	\$1,500.00
6	Misc.: Permits, SEMCO Gas & BPW Electric Service Retirements, etc. (Estimate)	\$1,500.00
7	Contingency	\$2,690.00
<b>Total Project Estimate:</b>		<b>\$50,000.00</b>

23.065 Bid Recommendation – Demolition of Structures from 314 & 320 E. Washington Ave. Properties

Motion was made by Commissioner Query and seconded by Commissioner Walters to award a contract not exceeding \$27,000.00 to Specialized Demolition, Inc. to remove the structures located at 314 & 320 E. Washington Avenue and other work as outlined in the bid package for a total cost of \$50,000.00 subject to City Council approval. Motion carried. All voting aye.

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

Manager Chrisman updated the Board on current operations status, activities and the Capital Project Spending as of June 30, 2023.

***Other Business***

**MPPA 2023 Customer-Driven Utility Benchmarking Results:**

In each of the last three years, MPPA has assembled member key performance data to identify where risk factors may exist indicating where potential action may need to be taken on the part of members, if not already, to mitigate identified risk areas. The results of this year’s assessment are provided under this tab. ZBPW was measured, as in the past, on Retail Rate Competitiveness with Consumers Energy and on Customer Concentration. Consistent with past findings (no surprises here) our retail rates compare favorably with that of Consumers Energy. Our Customer Concentration risk profile, on the other hand, is unfavorable. It is understood that ZBPW’s electric load is comprised primarily of commercial/industrial customer load with Gentex, Reckitt, and MillerKnoll (f.k.a. Herman Miller) being the majority contributors. The single most significant risk exposure in addressing Customer Concentration risk is power supply. The ZBPW secures the long-term capacity and energy needed to cover all load requirements and should one or more of our large industrial customers no longer remain an ongoing concern, there is the potential for stranding costly future power supply commitments. Although we do not anticipate any of our large industrial customers leaving us, it is prudent for ZBPW to always be prepared in the unlikely event of a substantial loss of load, thus revenue. As power supply costs comprise nearly 80 percent of our total electric utility costs, one method of mitigating this risk is to diversify our power supply portfolio, not only in terms of the type of resources (i.e., fossil fuels, renewables, battery storage, etc.), but also in terms of the amounts and duration of power supply products within our portfolio. We currently practice this to the best of our ability. Customer Concentration risk will likely always be an identified risk factor for the ZBPW. MPPA has suggested Potential Next Steps for the ZBPW to consider:

- Implementing a customer Key Accounts Program to maintain a relationship of mutual information sharing and benefits with each key customer. To address this, Kate Chrisman will soon begin coursework in the APPA Key Accounts certification program.
- Develop a Rate strategy to ensure our fixed and variable expenses are appropriately recovered through retail rates. We have already implemented fixed and variable rate changes in our rate structures and will continue to monitor and adjust rates as necessary to ensure adequate revenue coverage in the future.

**Thank-Yous:**

Thank you notes were received from Kerri VanDorp, City of Zeeland Events Coordinator, for ZBPW's sponsorships in the 2023 Zeeland Zoom, Sweet Summer Night, and Chalkfest. A thank you was also received from Lynette Lam, Zeeland Festivals Event Coordinator, for our support of Zeeland Festivals.

***Upcoming Events***

- **Next Regular ZBPW Board Meeting, Tuesday, October 10, 2023, 3:30 p.m., Water Warehouse Meeting Space.**
- APPA Business & Financial Conference, September 17 – 20, 2023, Phoenix, AZ
- MMEA 2023 Fall Conference, September 19 - 21, 2023, Marquette, Michigan
- Public Power Week: October 1 – 7, MMEA will again be offering a coloring contest including a \$50 Amazon gift card for the first-place winner from each utility. Additional details will be available soon.

Motion was made and supported that the regular meeting be adjourned at 5:14 p.m. Motion carried. All voting aye.

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Pamela Holmes, City Clerk