

**SPECIAL MEETING**

The HBPW Board of Directors met  
**January 27, 2025**  
at 4:00 p.m.  
625 Hastings Ave.  
Holland, Michigan

**Vice Chair Maalouf called the meeting to order at 4:00 p.m.**

**Members Present:** Carolyn Maalouf, Paul Lilly, Brian Lynn, Kyle Engbers, and Ex Officio Member Keith Van Beek

**Members Absent:** PJ Thompson, Dave Couch, Scott Corbin

**Staff Present:** Dave Koster, Janet Lemson, Joel Davenport, Becky Lehman, Chuck Warren, Ted Siler, Pieter Beyer, Tracy York, Nate Johnson, Julie DeCook

25.136 **Approval of Agenda**

*Board Member Lilly made a motion to approve the agenda. The motion was seconded by Board Member Engbers.*

25.137 **Communications From the Audience**

*None*

**Quarterly Monitoring Reports**

25.138 **Insurance Claims Received During FY 2025 Second Quarter**

The following claims were received October 1 - December 31, 2024:

Claim #	Date of Loss	Incurred Total	Paid Total	Description
P011-24-00570-01	10/2/24	700.00	700.00	Yellow paint overspray from fire hydrant paint got on claimant's car while parked in drive at home <u>addr.</u>
P011-24-00572-01	10/3/24	0.00	0.00	Water meter spraying in tenant basement for some time before realizing it. <u>Also</u> extremely high water bills for 2½ months.
P011-24-00574-01	10/4/24	2500.00	0.00	Claimant states that fiber <u>installer</u> drilled through wrong place and came through the main floor bathroom wall instead of basement. Drilled through tile and floor
P011-24-00569-01	10/6/24	850.00	0.00	City tree <u>fell down</u> causing damage to <u>(wires for?)</u> electricity and internet to claimant's home
P011-24-00573-01	10/21/24	100.00	0.00	<u>Power line</u> came down on claimant's vehicle while on the road.
P011-24-00576-01	11/5/24	300.00	0.00	BPW upgrading and installing new water valves to allow condos to get water from high pressure side.
P011-24-00577-01	11/25/24	0.00	0.00	Received notice of claim – field tile <u>were</u> hit when installing gas line and could not be fixed properly due to wed, muddy conditions and <u>overdigging</u> of dirt under tiles.

*The Board accepted the quarterly report for information*

25.139

**Meeder Public Funds Investment Strategy Update as of December 31, 2024**

Highlights:

- Federal Reserve expecting to lower the Fed Funds rate 50 basis points in 2025. The futures market is pricing in approximately 30 basis points cuts in 2025.
- CPI has been increasing the past few months and is currently 2.7% on a year-on-year basis. Bloomberg expecting a YoY average of 2.5% in 2025.
- GDP growth expected to slow to 2.1% in 2025, down from an estimated 2.7% for 2024.
- Weekly initial jobless claims remain near historically low levels but continuing claims continue to rise.
- The two-year Treasury yield has risen about 80 basis points from last September's low.

Portfolio overview:

- ▶ Current Portfolio (shorter term operating expense needs)
  - Balance at 12/31/24 \$39,219,830
  - Weighted average maturity 1.58 years
  - Weighted average yield 4.29%
- ▶ Long Term Portfolio
  - ◆ Balance at 12/31/2024 \$26,060,856

*\* Red italics indicate information or discussion added during the meeting and/or action taken.*

- ◆ Weighted average maturity 2.13 years (expected to increase as investments mature and are reinvested)
- ◆ Weighted average yield 4.30%

*The Board accepted the quarterly report for information*

25.140

**Energy Risk Management (ERM) Performance Summary Report for the Second Quarter FY 2025**

As detailed in the attached report under the ERM program, HBPW has natural gas purchase agreements in place for a total of 17,788,414 dekatherms as of January 21, 2025. These natural gas hedge purchases were secured in accordance with Delegation Policy D015-1 (Energy Risk Management) for consumption in fiscal years 2025-2029. The total cost of the agreements, when exercised, will be \$66,777,580. The total cost of these agreements is approximately \$1,912,363 less than current market prices for the same quantities and periods.

The natural gas hedges (purchase agreements) in place, as a percentage of forecasted natural gas burn, are:

- FY 2025 87.0%
- FY 2026 74.0%
- FY 2027 61.0%
- FY 2028 50.0%
- FY 2029 35.0%

HBPW's total hedged energy includes forecasted generation from the natural gas purchases described above, ownership entitlements in external resources, and Power Purchase Agreements (PPAs). HBPW has hedges in place as a percentage of forecasted MWh dispatch as follows:

- FY 2025 90.0% (policy minimum 90.0%)
- FY 2026 80.0% (policy minimum 80.0% by December 31)
- FY 2027 65.0% (policy minimum 65.0% by December 31)
- FY 2028 45.0% (policy minimum 50.0% by December 31)
- FY 2029 35.0% (Policy Minimum 35.0% by December 31)

HBPW is required to demonstrate capacity necessary to meet the standard set by MISO (Midcontinent Independent System Operator), the organization responsible for operating the power grid that HBPW operates in. MISO requires a net capacity demonstration of at least 95% of HBPW's Planning Reserve Margin Requirement (PRMR). HBPW has demonstrated net capacity in excess of this requirement for all years through FY 2029.

Credit risk for counterparties is evaluated annually by staff based on the procedure outlined in Appendix D of Delegation Policy D015-1. HBPW will transition to a third party (ACES) to perform the credit risk evaluations and assist in the establishment of credit limits for counterparties. The transition to the thirdparty service is intended to be implemented as part of proposed updates to the Delegation Policy D015-1 planned to be presented to the Board in the third quarter of FY25.

*The Board accepted the quarterly report for information*

25.141

**Second Quarter Key Performance Indicators (KPIs) FY 2025**

As per Governance Policy G002, Key Performance Indicators are reported to the Board of Directors as a quarterly agenda item. KPI reporting supports the Results Policies that are elements of the HBPW's strategic plan.

*The Board accepted the quarterly report for information*

25.142 **Financial Update – Second Quarter FY 2025**

*The Board accepted the quarterly report for information*

**Special Action Items**

25.143 **Consumers Energy Franchise Renewal**

HBPW has an existing interconnection with the Consumers Energy natural gas system for fuel supply to 48th Street and/or Holland Energy Park. This interconnection currently serves as a back-up supply to HBPW's interconnection to the ANR ML-7 pipeline.

A franchise ordinance is required in order for a gas utility to provide service within the City of Holland. The Consumers ordinance is drafted to allow them to supply gas to the HBPW, while precluding them from providing gas to any other customers in the City since that service is already provided by SEMCO.

The original franchise ordinance is set to expire on February 22, 2025. This new ordinance would replace the existing and establish a new 30-year term.

*Recommendation: The Board of Directors approved the renewed Consumers Energy Company Gas Franchise Ordinance and recommend adoption of the ordinance by City Council*

<i>Motion to approve recommendation</i>	<i>Lynn</i>
<i>Second</i>	<i>Engbers</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

25.144 **Renewable Energy Certificate Power Purchase Commitment**

Public Act 235 of 2023 ("PA 235") amended Michigan's Clean and Renewable Energy and Energy Waste Reduction Act of 2008. The act included reestablishment of a Renewable Energy Standard (RES) with aggressive renewable energy requirements of 50% starting in 2030 and 60% starting in 2035. Compliance with the RES is based upon retirement of Renewable Energy Certificates (RECs). RECs are contractual instruments used to account, track, and assign ownership of the environmental attributes of renewable energy. One REC conveys the attributes of one megawatt-hour of electricity generated from a renewable source.

For municipally owned electric utilities, disassociated RECs can be used to achieve compliance through the end of calendar year 2035. Disassociated RECs are those that are purchased without also purchasing the corresponding energy and capacity. In order to be used for compliance, those RECs must also be generated within the regional transmission organization that the electric provider is located within. For the purposes of Holland, this means that the RECs need to originate within the Midcontinent Independent System Operator (MISO) footprint.

MPPA recently entered into a transaction with a large energy provider to supply energy and RECs to project participants. The RECs included in the transaction are from a hydroelectric facility located within MISO and are to be delivered into the Michigan Renewable Energy Certification System (MIRECS) for usage with participants' PA 235 compliance. HBPW did not participate in the original transaction but was recently approached by MPPA about interest in REC only participation. The opportunity was created due to one of the original parties opting not to participate. The energy provider had asked MPPA if any other members would be interested in purchasing the RECs that were originally intended for that party.

The REC purchase commitment would be for a nine-year term starting on January 1, 2027, and ending on December 31, 2035. Analysis of REC pricing by MPPA found the associated rate to be

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favorable vs. forecasted pricing in those years. As such, the transaction is being recommended as a cost-effective opportunity to hedge REC volume toward compliance with HBPW's future renewable energy obligations

*Recommendation: The Board of Directors Approve the signing of a Power Purchase Commitment Authorization by the HBPW General Manager for an expected quantity of 25,010 Renewable Energy Certificates per year.*

<i>Motion to approve recommendation</i>	<i>Lynn</i>
<i>Second</i>	<i>Engbers</i>
<i>Favor</i>	<i>4</i>
<i>Oppose</i>	<i>0</i>

### **Study Items**

#### **Renewable Energy Plan**

25.145

In accordance with Michigan's Public Act 235 of 2023 ("PA 235"), HBPW is required to file an initial Renewable Energy Plan (REP) with the Michigan Public Service Commission (MPSC) by February 27, 2025. The REP includes a forecast of the renewable energy resources needed to comply with PA 235's renewable energy credit standard. Working in coordination with HBPW staff, Michigan Public Power Agency (MPPA) recently prepared a draft REP for usage in HBPW's filing. Staff will review the draft REP with the Board and answer any related questions.

*Accept the presentation for information.*

25.146

#### **Water Utility Issues Discussion**

Staff continues a four-month series of presentations on the HBPW's Electric, Water, Wastewater, and Broadband Utility operations. Staff will highlight major issues affecting current operations and future planning.

Plans to address short- and long-term supply and delivery of services will be addressed along with a high-level summary of the capital plans.

*Accept for information the staff report on issues affecting the Water Utility.*

25.147

#### **General Manager Comments**

- We have received word that the updated scoring sheets are going to be available soon for PFAS, which signals we may be close to disbursement of these monies.
- Our next meeting, a regular meeting, is two weeks from today, February 10

### **ADJOURNMENT**

A motion to adjourn the meeting of *January 27, 2025*, was made by *Lilly* supported by *Lynn* and agreed upon by the Board Members present.

The Board Meeting of January 27, 2025, adjourned at *6:23 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board

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