

SPECIAL MEETING

The HBPW Board of Directors met
May 21, 2018
at 4:00 p.m.
in the Service Center Board Room
625 Hastings Ave.
Holland, Michigan

Chair Hemingway called the meeting to order at 4:02 p.m.

Members Present: Tim Hemingway, Diane Haworth, Sue Franz, Jim Storey, Phil Miller, and Ex Officio Members Bob Shilander, Keith Van Beek (arrived late)

Members Absent: Brian Lynn

Staff Present: Dave Koster, Janet Lemson, Chuck Warren, John Van Uffelen, Becky Lehman, Ted Siler, Joel Davenport, Anne Saliers, Barry Rutherford, Steve Bruinsma, Alison El-Cassabgui, Morgan Kelly, Pete Hoffswell, Tracy Jousma, Tamara Black, Ashley Kimble

18.176 **Communications from the Audience**

None

18.177 **Financial Review**

For information only

**CONSENT
AGENDA**

18.178 **MPPA Credit Report Card for the Holland Board of Public Works**

The Michigan Public Power Agency (MPPA) Member Credit Report Card Program has been developed to complete a financial review of municipalities with current membership in MPPA. The purpose of the Credit Report Card Program is to incorporate publicly available metrics utilized by the three major credit rating agencies to achieve and maintain the highest possible bond ratings for MPPA projects. Higher bond ratings result in lower borrowing costs and subsequently, lower cost of power for all project participants. Ultimately, investors in MPPA debt as well as power supply counterparties look to the Members' credit when they evaluate the creditworthiness of MPPA.

The HBPW achieved a score of 104, out of a possible 98 points, resulting in an overall score of 106%. The HBPW received a 5-point bonus for an outstanding fixed obligation coverage ratio average over the past three years. According to the report card, "Holland's Electric Utility Department exhibits strong financial metrics, solid procedures, and a history of continued success."

As part of the Consent Agenda, the Board of Directors accepted the MPPA Member Credit Report Card issued May 5, 2018, for FY2017 for the HBPW.

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

**SPECIAL
ACTION
ITEM**

18.179 **Vegetation Management Contract**

The HBPW has historically contracted professional tree trimming services to trim or remove vegetation that encroaches the area near our power lines. Good tree trimming practices are critical to meet safety and reliability goals for the electric distribution system.

This year, the staff developed a performance-based contract rather than one based on hourly rates as has been done in the past. The hourly rate contract has not achieved the three-year goal of trimming around all overhead lines within that three-year period. It has also been difficult to determine the efficiency with which the crews performed their work. The success of our vegetation management goals was contingent on variables such as weather, contractor employees, and workload of the company that was awarded our contract.

The new contract represents a 12% annual increase above the current year pricing with Asplundh Tree Experts, which was bid at \$718,848.00 for 2017. The increase of the proposed contract assures that the entire service area will be completed. This represents a 15% increase of system covered over the past three-year contract. Under recent contracts, vegetation management contracts had increased about 3% per year. The recommended contract includes three years without annual increases, protecting against additional labor cost increases through fiscal 2021. Our bidders have noted that labor costs have increased due to worker shortages in West Michigan and contractors anticipate relocating employees from other areas.

The staff has solicited and received three acceptable bids. The lowest bid was from Integrity Tree Services at \$805,564.80 per year for three years, for a total of \$2,416,694.40. Integrity Tree Services was awarded the contract for our system in FY 2006-2008.

Integrity was very thorough in investigating the details of our system throughout the bidding process. The BPW staff met with Integrity after the bid opening, and both parties are confident that Integrity can and will meet the requirements of this contract.

Contractor	Bid	Location	Previous Contracts
Integrity Tree Services	\$2,416,694.40	Grandville, MI	Yes
Asplundh Tree Experts	\$5,029,167.18	Mt. Pleasant, MI	Yes
Energy Tree Services	\$4,485,600.00	Detroit, MI	No

Recommendation: The Board of Directors approved a contract with Integrity Tree Services for a three-year term in the amount of \$2,416,694.40, pending approval as to form from the City Attorney.

Motion to approve recommendation *Storey*
Second *Miller*
Favor *5*
Oppose *0*

**STUDY
SESSION
ITEM**

18.180 **Education and Pilot Energy Waste Reduction Programs**

Public Act 295, also known as the “Clean, Renewable, and Efficient Energy Act”, requires all providers of electric and gas service in Michigan establish energy optimization programs by filing energy optimization plans with the Public Service Commission. The overall goal of an EO plan is

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to reduce the future costs of provider service to customers.

The plan must demonstrate that the provider's EO programs, excluding program offerings to low income residential customers, will collectively be cost effective and include a process for obtaining an independent expert evaluation to verify the incremental energy savings from each energy optimization program. Upon approval of its plan, the utility may recover the incremental cost of compliance in a surcharge not to exceed two percent of electric retail sales. HBPW collects just 63.8 percent of what it may collect and has been able to achieve the kWh savings goal each year.

The MPSC allows providers flexibility in designing their energy optimization programs. Beyond the prescriptive measures with deemed savings, up to 5.5 percent of the costs of implementing the plan may be used for educational programs designed to alter consumer behavior. The objectives of the HBPW educational programs are:

- To develop broad consumer awareness of the benefits of energy efficiency
- To provide educational materials and services that motivate customers to participate in our EO programs and to motivate behavior change that can further reduce energy consumption

The purpose of pilot programs is to identify and learn more about new energy-efficient technologies and program strategies with potential to capture additional electric energy savings in the residential and business sector. Up to 5.5 percent of a utility's total EO budget can be used for pilot programs, with a 5.5 percent contribution to the total energy savings goal.

Community Energy Services is proposing two new pilot programs be implemented in the 2018 and 2019 program years. Both are designed and conducted by CLEAResult and offer the opportunity to partner with SEMCO Energy for broader, more comprehensive solutions for the customer.

Strategic Energy Management helps large industrial customers achieve measurable, robust, and persistent energy savings through continuous improvement and employee engagement practices. It applies the total quality management methodology of plan-do-check-act to identify and prioritize energy savings over the course of a 15-month structured curriculum (see SOW 1) that includes training, onsite consulting, and cohort discussions. Rather than traditional tactical equipment change measures, SEM is strategic and process focused, looking at behavioral changes and streamlining equipment projects. The value goes beyond energy cost reduction.

This educational pilot program would help us discover and explore other energy saving options, especially from process energy and behavior change opportunities. As businesses complete conversion to LED technology, it will become much more difficult, and expensive, for both customers and HBPW to find kWh savings to meet goal. SEM helps us get started identifying the most effective solutions now.

The cost per customer is a fixed fee of \$18,500, which will be evenly split by month over the 2018 and 2019 program years. As tuition and skin in the game, customers will be charged 30 percent, or \$5,550, at the start the program. Our top six industrial customers (annual kWh) will be offered the opportunity to participate first. We will continue down the list by size until the roster is full. Expense recovery from tuition is \$33,300 - \$44,400 and will fall in FY 2019. Customers will be given the option to deduct tuition from their 2019 incentive cap in lieu of cash payment. In the unlikely event we are not successful in recruiting at least six participants, our obligation to CLEAResult is nominal, only time and materials to date. Customers who have already indicated interest include Request Foods, Haworth, Yanfeng, and LG Chem.

It is highly likely that SEMCO will partner with us in the program. For our customers, this means the inclusion of natural gas measures, thus making the program more robust and holistic for them. It will likely result in easier recruitment of companies to participate. Partnering with SEMCO

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would not change the pricing to HBPW. The price presented represents a focus only on electric consumption. Adding gas measures is incremental in the amount of time spent at each customer site and the breadth of content in the reports each receive.

Although new to HBPW and the first time offered in Michigan, CLEAResult has engaged more than 700 facilities in 14 states and provinces in the Strategic Energy Management Program. On average, the electricity load saved is 4.9 percent. A couple of case studies are included.

Manufactured Homes is a direct install turnkey residential pilot program targeting income-qualified customers. It provides deep energy retrofits to overcome innate energy and comfort issues. Manufactured (mobile) homes face different energy efficiency challenges than permanent dwellings. Due to the nature of their assembly and transport, they contain large insulation gaps. This program will increase the effective R-value of existing insulation, reduce duct leakage, and minimize conductive heat loss. The added insulation will create substantial contact with the pressure boundary to achieve the claimed R-value.

The program includes both electric and gas related measures, as we are partnering with SEMCO on the cost of this pilot. There are kWh savings measures, as well as therm saving measures, that will be installed in each manufactured home that participates in this program.

The kWh savings that will be implemented in this program are all long-term measures and include duct sealing, weather-stripping, air sealing, programmable thermostats, indoor and outdoor LEDs, and mobile home belly insulation. SEMCO will claim therm savings for measures which include aerators, showerheads, and pipe insulation, and will also claim savings associated with duct sealing, weather-stripping, programmable thermostats, and mobile home dense pack belly insulation. There are a couple of other measures including AC tune-ups (RCA, iManifold) and furnace tune-ups, which are both short-term measures, that will not be included in this proposed pilot plan due to a lack of funding. However, these measures may be eligible in future program years if they are deemed important and if funding is available.

This program will be implemented by CLEAResult as a turnkey program. While new to HBPW, CLEAResult has completed 4,000 manufactured home retrofits in 80 communities. Their unique approach provides powerful enhancements at no cost. They will coordinate the marketing and outreach, connecting with mobile home park managements, as well as the contractors who will complete the work. They will ensure the completion of services and provide month-to-month and final reports. The details of these reports can be found in the SOW. CLEAResult has in mind to contact the following properties in Holland: Country Acres Mobile Home Park (~120 units), Willow Homes (~190), Lincoln Estates (~190), Candlelight Manor (~190), and Leisure Estates (~ 420).

The estimated budget for the program running as a 2018 pilot is \$67,403.44. Our 2018 pilot allowance is \$50,492.00, though we intend to draw from the low income budget. SEMCO will be paying for 75%, putting their total at around \$202,210. The estimated savings for the program running as a 2018 pilot is 114,369.88 kWh. The lifetime savings projection is 1,643,233.37 kWh. The savings per kWh is \$0.59. The annual CO2 metric tons decrease is projected to be 87.58, with a lifetime projection of 1,258.27.

If approved, the program (see SOW 2) would start in June beginning with marketing and outreach, moving into services beginning in July, Services completed in October/ November, and the pilot finalized in December. The pilot report would be delivered in March.

CLEAResult is the leading provider of energy efficiency services in North America offering a comprehensive portfolio in program filing, planning and design, implement-tation, measurement and evaluation, and pilots. For and in the State of Michigan, CLEAResult operates under the Efficiency United brand, including implementing SEMCO's EWR programs.

For information only. No Board action required.

