

REGULAR/STUDY MEETING

The HBPW Board of Directors met
December 16, 2024
at 4:00 p.m.
625 Hastings Ave.
Holland, Michigan

Chair Thompson called the meeting to order at 4:00 p.m.

Members Present: PJ Thompson, Carolyn Maalouf, Kyle Engbers, Brian Lynn, City Council Liaison, and Ex Officio Member Dave Couch

Members Absent: Keith Van Beek, Scott Corbin, Paul Lilly

Staff Present: Dave Koster, Janet Lemson, Becky Lehman, Chuck Warren, Joel Davenport, Ted Siler, Dan Krieger, Tracy York, Pieter Beyer, Mark Gipson, Joe Sikma, Alex Craigmile, Max Sunter, Julie DeCook, Devin Shea, nFront, Brad Cushner (sp)

25.110 **Approval of Agenda**

Board Member Maalouf made a motion to approve the agenda. The motion was seconded by Board Member Lynn.

25.111 **Communications From the Audience**

Jared DeBacker, City of Holland resident: Unhappy about the appearance and size of new fiber cabinet across from his house (cabinet in Prospect Park).

Don Triezenberg, City of Holland resident: Attending to learn more about the HBPW's IRP which is presented at today's meeting. He also expressed appreciation for the annual vehicle fuel report.

25.112 **Board Minutes – Regular Meeting Minutes of November 11, 2024, and Special Meeting Minutes of November 25, 2024**

As part of the Consent Agenda, the Board of Directors approved the minutes as presented.

25.113 **Elective Renewable Energy Program Rate Revision**

When a customer buys renewable electricity from a utility, what they are really doing is paying the utility to retire a set number of Renewable Energy Certificates (RECs) on their behalf. RECs are a type of environmental attribute certificate commonly used to account, track, and assign ownership of renewable electricity. One REC conveys one megawatt-hour (MWh) of electricity generated from a renewable source. When a business says it is “powered by 100 percent renewable electricity,” it means that a volume of RECs equal to the company’s total power consumption were retired on its behalf.

All HBPW customers receive 15% of their energy under HBPW’s standard rates from renewable energy resources. This effectively means that HBPW retires a volume of Renewable Energy Certificates (RECs) equivalent to 15% of total retail sales on behalf of its customers. HBPW customers also have the ability to increase their renewable energy usage through participation in the elective renewable energy program. That program allows customers to elect either 35% or 85% of additional renewable energy. Accounting for the 15% in HBPW’s base rates, this means that participants can elect to have a total of 50% or 100% of their energy sourced from renewable energy resources.

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HBPW staff recently reviewed the elective renewable energy program and identified several potential changes to that program over the next two years. Details of the review and planned changes were presented at the November 25th Board meeting for information. The only immediate change to the program from a customer perspective is a reduction in the rider rate as outlined on

the attached rate sheet. The reduction is due to mitigation of REC price volatility and increased program participation. Mitigation of REC price volatility was addressed via hedging of the RECs used for the program. The RECs have a five-year life, which allows for hedging with minimal risk of RECs expiring before they can be retired. The increased participation experienced in recent years allows for spreading of the fixed administrative costs over more volume, decreasing the overall rate. The net result of these two factors is a proposed reduction in the rate from \$0.010 per kWh to \$0.0048 per kWh.

This rate is being presented for approval outside of our normal rate update timing in order to address recent feedback from large customers and promote continued growth of the program

As part of the Consent Agenda, the Board of Directors approved the revisions to the elective renewable energy program rate and forward to City Council for approval.

25.114 **Appointments to the Water System Advisory Council**

The WSAC was established by ordinance in December 2018 and organized with Bylaws in March 2019 for the purpose of advising and reporting to the Directors of the HBPW relating to public awareness of lead in drinking water and compliance with the new administrative requirements for the Lead and Copper Rule (LCR) adopted by the State of Michigan in June 2018. The Bylaws established staggered five-year terms for Council members so that only one member's term expires each year.

A recent resignation by former Council member Matt Allen created a vacancy that needs to be filled. Mr. Allen's term was set to expire on March 11, 2028. In order to maintain the staggered terms, a new Council member needs to be appointed to fill the remainder of that five-year term. The recommended candidate, Nate Johnson, currently serves as Water Treatment Plant Superintendent with the Holland Board of Public Works. With his background in water issues, Nate is expected to be an excellent addition to the WSAC. The end date of the term Nate is filling is being shortened from March 11, 2028, to December 31, 2027. This is part of a planned transition to align WSAC terms with the calendar year.

Additionally, former WSAC member Mike Seymour recently completed his five-year term on the Council and has opted not to renew his membership. As such, a new member is similarly needed to fill that vacancy. The recommended candidate, John Van Uffelen, has more than 40-years' experience working with water systems and served as Utility Services Director for the HBPW prior to his retirement in 2020. He has extensive knowledge of water issues and substantial familiarity with Holland's system. He also is already familiar with the WSAC, having previously served as a member from 2019-20. The end date of Mr. Van Uffelen's term would be December 31, 2028.

As part of the Consent Agenda, the Board of Directors appoint Nate Johnson to a term on the Water System Advisory Council with an expiration date of December 31, 2027. Also appoint John Van Uffelen to a term on the Water System Advisory Council with an expiration date of December 31, 2028.

25.115 **Everstream GLC Holding Company, LLC Pole Attachment Agreement**

Holland BPW Electric Distribution owns and maintains most utility poles in the HBPW service area. In general, third-party entities such as cable, phone, and fiber internet service providers attach their equipment to existing HBPW utility poles; and in some cases, HBPW attaches power to third party

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poles. HBPW had numerous Pole Attachment Agreements that govern attachments and set attachment fees. On March 11, 2019, the Board of Directors approved the termination of all pole attachment contracts in order to move to a uniform contract for all companies.

Everstream is the last to come to agreement on the new pole attachment requirements.

The new agreements contain a number of improvements.

- Utilizes an industry standard rate calculation that makes the attachment rate equal for all companies who will be attaching to our poles.
- Annually adjustable to reflect HBPW's investment in new poles and infrastructure where Licensees gain a benefit.
- Includes timelines for attachment removals and transfers of communications equipment from old poles to replacement poles, which reduces the number of duplicate poles in the field.
- Allows for additional forms of cellular equipment to be mounted to HBPW poles, which is new for utilities and consistent with Michigan SB 637.

As part of the Consent Agenda, the Board of Directors approved a Pole Attachment Agreement with Everstream GLC Holding Company, LLC pending approval as to form from the City Attorney.

25.116

Alternative Fuel Vehicle and Equipment Purchasing FY24 Annual Report

The Alternative Fuel Vehicle and Equipment Purchasing Policy (D014-2) requires annual reporting on the following items:

- A list of vehicles by class, by year, and a similar list of non-vehicle fuel combusting equipment, including
 - o Make and model
 - o Drive train
 - o Vehicle # and VIN
 - o Fuel type
 - o Annual miles for vehicles and hours for equipment
 - o Annual fuel consumption
 - o Annual maintenance costs by vehicle/equipment
 - o Estimated CO2 emissions
- Attached to this report, please find the following reports:
 - o Alternative Fuel Vehicle Report Basic Vehicle Info listing such things as vehicle make/model, HBPW vehicle #, VIN, department using the vehicle, fuel type, and date acquired,
 - o Alternative Fuel Vehicle Report Annual Vehicle Miles and Fuel Consumption
 - o Alternative Fuel Vehicle Report Non-vehicle Fuel Consumption including equipment descriptions, fuel type, and estimated annual fuel consumption and CO2 emissions.
 - o Alternative Fuel Vehicle Report Maintenance Costs, reporting total maintenance costs by department.
 - o Alternative Fuel Vehicle Report FY23 VS FY24 CO2 Emissions. This report shows estimated CO2 emissions decreased 1.26% from FY23 to FY24. Of note, FY23-FY24 diesel consumption stayed essentially the same, so the bulk of the reduction is gasoline related.

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At the end of FY24, the HBPW vehicle pool included 5 EV's and 3 hybrids. The EV's are 4 light/medium duty pick-ups and 1 van.

As part of the Consent Agenda, the Board of Directors accepted for information the Alternative Fuel Vehicle and Equipment Purchasing FY24 Annual Report.

25.117 **Non-Rate Fees and Charges Update**

Non-rate fees and charges are reviewed by HBPW annually. Adjustments are typically required by changing business conditions. The current fees and charges were approved by the HBPW Board on December 11, 2023, for implementation on January 1, 2024.

The changes in the current schedule are highlighted in the attachment. Most of the changes are the result of an update to the MDOT Schedule C, Equipment Rental Rates, and from incremental changes in HBPW construction, material, and labor costs.

Trunkage and Assessments Charges (Page 7 of the attachment) are updated biennially with the last update made January of 2022.

As part of the Consent Agenda, the Board of Directors approved the January 2025 Schedule of Fees and Charges, effective January 1, 2025.

25.118 Action on Consent items:

Motion to approve, accept, or adopt Consent Agenda items	<i>Engbers</i>
Second	<i>Lynn</i>
Favor	<i>4</i>
Oppose	<i>0</i>

25.119 **Major Project Update**

For information only

25.120 **Resolution to Authorize Issuance of Water Supply System Revenue Bonds Series 2025A**

The proceeds from the Water Supply System Revenue Bonds Series 2025A will pay the costs associated with (i) approximately 8,900 new residential water meters and Advance Metering Infrastructure (AMI) telemetry devices throughout the System service area, (ii) a new approximately 2,700 square foot water treatment plant chemical storage addition, and related improvements, to the filter building at the Water Treatment Plant located in Park Township, MI, and (iii) sliplining approximately 3,200 hundred feet of 24 inch Macatawa Lake crossing water transmission line from the north corner of Park and Holland townships to the City on the south side of the lake, collectively, the "Project"), to fund a reserve fund, if necessary, and paying the costs of issuing the bonds;

Staff would like to advise the Board that in the Resolution to be approved:

- Section 2 of the Resolution allows the HBPW Director of Finance to reduce or set to \$0 the debt Reserve Requirement, based upon the recommendation of the Board's municipal advisor and compliance with any rating agency requirements. This same provision was in the Seventh Supplemental Revenue Bond Resolution approved by the Board on February 7, 2022.
- Section 3 of the Resolution authorizes HBPW staff and City Council to approve and execute the award of that sale and issuance of the bonds, with a cap of \$12 million. This eliminates the need for a special meeting of the Board to final approval.
- Section 8 of the Resolution authorizes the Director of Finance to publish the Notice of Sale, eliminating the need for a separate Resolution authorizing the Notice.

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The Preliminary Official Statement for the bond sale is attached for information related to the sale and use of proceeds. Please note this is a working document at this time, but the pertinent information is essentially complete.

Recommendation: The Board of Directors approved and forwarded to City Council for approval the Eighth Supplemental Revenue Bond Resolution Authorizing Water Supply System Revenue Bonds Series 2025A in an amount not to exceed \$12.0 million to pay costs of certain Water Utility improvement projects and costs of issuance.

<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>

25.121 **Unit 7 Major Inspection**

During this outage, Unit 7 will undergo both a major inspection of the turbine as well as a rewind of the generator field.

Major Inspection: Unit 7 will undergo a major inspection during this outage to ensure the unit continues to operate efficiently and safely. Over time, turbines experience mechanical wear due to continuous operation under high stresses, temperatures, and rotational speeds. Parts like blades, bearings, and seals can degrade or become damaged. Regular inspections help detect signs of fatigue, corrosion, erosion, or cracks before they lead to more severe damage. Unit 7 is a GE Frame 6B combustion turbine that was commissioned in 1992 and is utilized as a peaking unit for the Holland Board of Public Works (HBPW). The unit is due for a Major Inspection (MI) based on the number of factored starts since the last turbine maintenance which was a Hot Gas Path Inspection in 2019.

Generator Field Rewind: The generator field rewind was deemed necessary during Ethos Energy's inspection of the generator on Unit 7 in November of 2024 after an out of sync issue caused a forced outage. For the generator field rewind, the contractor will remove the generator field and take it offsite for a full inspection and rewind. There will also be stator and brushed exciter inspections and electrical testing that shall be done at the beginning of the outage to allow time for any repair work on those components. A high-speed balance of the generator field will be performed after the rewind.

Bids were received by GE Vernova, Allied Power Group, Ethos Energy, and Power Services Group. The table below summarizes the evaluated bid costs received from the contractors.

Bidder Name	Business Location	Evaluated Bid Amount	Meets Specifications	Previous Contracts
GE Vernova	Atlanta, GA	\$5,169,429	YES	YES
Allied Power Group (APG)	Houston, TX	\$2,728,650	YES	YES
Ethos Energy	Duncan, SC	\$3,093,100	YES	YES
Power Services Group	Cape Coral, FL	\$5,054,213	YES	YES

Allied Power Group was the lowest evaluated bidder for the major inspection and field rewind services. The evaluated bid cost includes the base inspection including disassembly and

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reassembly of the unit, medium level repairs and replacements for the turbine components, generator field rewind, and inspection of the generator stator. The work is tentatively scheduled to begin in September of 2025 and be completed in December of 2025.

Recommendation: The Board of Directors approved a contract with Allied Power Group in the amount of \$2,728,650 with a contingency of \$871,350 for a total of \$3,600,000, pending approval as to form from the City Attorney.

<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>

25.122 **Municipal Gas Authority of Georgia Prepay Gas Transaction**

The City of Holland, acting by and through its Holland Board of Public Works, entered into a base contract for the sale and purchase of natural gas with the Municipal Gas Authority of Georgia on April 1, 2024. The agreement enables HBPW to participate in prepay gas transactions that result in discounted pricing for a portion of our natural gas fuel supply.

In a typical prepay gas transaction, a municipal conduit issuer issues tax-exempt bonds on behalf of municipal gas and electric utilities to prepay future deliveries of natural gas. The issuer transfers the bond proceeds to a gas supplier in exchange for the delivery of gas over the life of the bonds (typically 20-30 years). The issuer then sells the gas it purchases to municipal gas and electric utilities at a discount. The value of that potential discount varies over time based on factors such as the projected escalation of natural gas prices and the arbitrage opportunity between tax-exempt and taxable debt.

The Municipal Gas Authority of Georgia ("Gas Authority") is the largest non-profit natural gas joint action agency in the United States, serving 83 members in Georgia, Alabama, Pennsylvania, Tennessee, and Florida. The Gas Authority also serves as the manager of Main Street Natural Gas, Inc. ("Main Street"), which acts as a municipal conduit issuer on prepaid natural gas transactions serving Gas Authority members and other public systems. Due to their nature as a municipal joint-action agency, the Gas Authority structures prepaid transactions in a manner more favorable to a municipal electric utility than other potential counterparties. This includes more flexibility in layering the prepay transaction discount onto HBPW's existing hedge program, more flexibility in handling potential future loss of load, and the ability to terminate the deal early if minimum discounts are not met.

HBPW participated in its first prepay natural gas transaction earlier in 2024. That transaction involved Main Street as the conduit issuer and the Royal Bank of Canada ("RBC") as the natural gas supplier. HBPW's participation in the transaction was 4,000 MMBtu per day at a discount of \$0.53/MMBtu. The transaction and corresponding implementation have been extremely smooth and reduces fuel expense by at least \$773,800 per year. As such, the HBPW is interested in pursuing additional transactions in order to capture additional savings for our customers.

The market for prepaid transactions has remained very favorable, and HBPW has an opportunity to participate in a second prepaid gas transaction through the Gas Authority/Main Street. The new transaction includes Citigroup ("Citi") as the natural gas supplier and HBPW's participation is again planned for 4,000 MMBtu per day. Similar to the first prepay transaction entered into by HBPW, the Gas Authority/Citi transaction is structured for 30 years but with several marketing periods that occur throughout that time span. The initial marketing period extends through November 30, 2032. The discount associated with this initial period is \$0.52/MMBtu, with minimum annual savings expected to be \$759,200 per year. The minimum threshold for future re-marketing events is \$0.23/MMBtu (\$335,800/year). If this threshold is not met, HBPW has the option of early termination of the prepay transaction or continued participation at the discount rate available.

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In order to proceed with the transaction, HBPW needs to execute a transaction confirmation with the Gas Authority. The resolutions requested would approve that document (attached), subject to any nonmaterial changes that may arise during final legal review.

Recommendation: The Board of Directors adopted the Board "Resolution Authorizing Prepaid Natural Gas Transaction" and recommend City Council consider and adopt the related Council resolution.

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

25.123 **Steketee Lift Station Rehabilitation and Capital Budget Amendment**

The Steketee Lift Station has been targeted for rehabilitation since 2021. The site's limited space and location immediately adjacent to South Shore Drive created difficulties in the execution of the project.

The initial bidding process for Steketee in 2023 resulted in bids of approximately \$1,200,000, which was close to twice the approved budget amount. As a result the project was postponed and the budget was pushed to FY26 due to funding constraints. HBPW Staff reviewed the plans with the bidders and identified the space constrictions on the site as the main cause of increased costs. To address this HBPW staff negotiated the use of the adjacent private property for the duration of the project. After obtaining permission to use adjacent property, the work was re-bid with the recent Brecado lift station project to determine the impacts of the expanded project footprint. A bid was received from Jackson-Merkey Contractors that is close to the original budget estimate amount at \$714,378, and staff recommends moving forward with award.

Although the work is still anticipated to take place in FY26, long lead times (9+ months) for equipment requires approval of the contract in FY25 in order to secure equipment orders in time for FY26 construction. Since the budget was pushed to FY26 after the initial bid, an FY25 budget amendment in the amount of \$800,000 is needed to approve the contract. The additional amount above the construction bid is for construction inspection by the design engineer.

This would be the fourth consecutive lift station that Jackson-Merkey Contractors would rehabilitate for HBPW. The contractor helped identify their concerns with the limited site footprint and worked with HBPW through several options to alleviate those concerns and pricing. They have proven to reliably execute the contracts, especially when immediately adjacent to private property while respecting the private property and the HBPW customers living there.

Recommendation: The Board of Directors approved a contract with Jackson-Merkey in the amount of \$714,378 with a 10% contingency of \$71,437 for a total of \$785,815, pending approval as to form from the City Attorney, and approve a FY25 budget amendment of \$800,000 for the construction and inspection of the project.

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

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STUDY SESSION ITEM

Electric Utility Issues Discussion and Review of Initial IRP Results

25.124 The team continues a four-month series of presentations on the HBPW's Electric, Broadband, Water, and Wastewater Utility operations. Staff will also highlight major policy issues at the national, regional, state, and local level that affect current operations and future planning.

Initial results from the ongoing Integrated Resource Plan (IRP) will be discussed along with high-level summaries of the capital plans.

Accept for information the staff report on issues affecting the Electric Utility.

25.125 **General Manager Comments**

- Next meeting is January 6, 2025; Study session is January 27

ADJOURNMENT

A motion to adjourn the meeting of *December 16, 2024*, was made by *Maalouf* supported by *Lynn* and agreed upon by the Board of Directors present.

The Board Meeting of December 16, 2024, adjourned at *6:40 p.m.*

Minutes respectfully submitted by,

Janet Lemson, Secretary to the Board