

GRAND HAVEN BOARD OF LIGHT AND POWER
MINUTES
AUGUST 17, 2017

A regularly scheduled meeting of the Grand Haven Board of Light and Power was held on Thursday, August 17, 2017, at 4:00 p.m. at the Grand Haven Community Center located at 421 Columbus Avenue in Grand Haven, Michigan.

The meeting was called to order at 4:01 p.m. by Chairperson Smart.

Present were Directors Kieft, Naser, Witherell and Smart.

Also present were David Walters, General Manager; Renee Molyneux, Administrative Services Manager and Secretary to the Board; Lynn Diffell, Accounting & Customer Service Manager; Rob Shelley, Distribution and Engineering Manager; and Erik Booth, Power Supply Manager.

Director Witherell, supported by Director Kieft, moved to approve the meeting agenda. The motion was unanimously approved.

17-09A Director Witherell, supported by Director Kieft, moved to approve the consent agenda. The consent agenda includes:

- Approve the Minutes of the July 20, 2017 Board meeting
- Accept and file the July 2017 Financial Report and Power Supply and Sales Dashboard
- Approve paying bills in the amount of \$4,813,156.30 from the Operation and Maintenance Fund
- Approve paying bills in the amount of \$682,847.59 from the Renewal and Replacement Fund
- Confirm Purchase Requisition #14352 to Fastenal Company in the amount of \$77,000 for budgeted and expected use of routine maintenance supplies at Sims during FY 2018
- Confirm Purchase Requisition #14353 to Fastenal Company in the amount of \$28,000 for budgeted and expected use of routine maintenance supplies monitored through the vending machine during FY 2018
- Confirm Purchase Requisition #14366 to Northern Boiler Mechanical Contractors in the amount of \$170,458 for spring shutdown work in the precipitator and scrubber
- Confirm Purchase Requisition #14383 to Michigan Cat, Inc. in the amount of \$6,690 for a service call to repair the hydraulic cylinder on the 824G Caterpillar
- Confirm Purchase Requisition #14387 to Graymont in the amount of \$46,500 to purchase lime for scrubber operations

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- Confirm Purchase Requisition #14395 to Enable Fifteen Consulting, LLC in the amount of \$12,325 for network consulting associated with the substation fiber project
- Confirm Purchase Requisition #14412 to Zeeland Board of Public Works in the amount of \$14,726 for mutual aid storm restoration work during the July outage
- Confirm Purchase Requisition #14421 to United Conveyor Supply in the amount of \$5,921 for parts to rebuild the fly ash unloader and bottom ash jets
- Confirm Purchase Requisition #14429 to Alexander Chemical Company in the amount of \$5,292 for chlorine at Sims
- Confirm Purchase Requisition #14435 to Kent Power Inc. in the amount of \$16,608 for storm restoration work during the July outage
- Confirm Purchase Requisition #14447 to Chamber of Commerce in the amount of \$5,000 for our FY 2018 economic development contribution
- Confirm Purchase Requisition #14452 to Wheeler World Inc. in the amount of \$13,090 for the inspection and evaluation of #1 diesel engine
- Confirm Purchase Requisition #14455 to Holland Board of Public Works in the amount of \$13,822 for mutual aid storm restoration work during the July outage
- Confirm Purchase Requisition #14470 to Joint Michigan Apprentice Program in the amount of \$8,000 for annual line worker apprentice program tuition for two apprentices

The General Manager distributed a revised Power Supply Dashboard to the Board with updates to the hours of the three short outages at Sims in July. Heat rates were added to the Power Supply Dashboard. Discussion was held regarding the July diesel engine issue. The air compressor went offline causing excessive exhaust. The unit was shut down within three to four minutes. We contracted Wheeler World Inc. to evaluate the engine and controls and assist with our annual testing. The engine is in good shape. The controls need work, which is why the air compressor did not trip.

The motion was unanimously approved.

17-09B Public Comment Period — Jeff Miller, 1120 S. Harbor Drive, heard Grand Valley State University received an award for their partnership with Consumers Energy on a joint solar farm. Jan O'Connell from the Sierra Club heard about a MSU solar project on the radio and wants the BLP to invest in solar. Robert Allen, 14335 Ott Lane, read about a solar project in Scotland. General Manager Walters advised Michigan Public Power Agency is currently evaluating several solar projects for potential partnerships. Municipal electric companies are unable to receive tax incentives so a third party investor is needed to bring the cost down on solar. A question regarding the possibility of storage of energy was presented. Storage continues to be researched and implemented in some areas; however, if storage were added to solar panels, the cost of the project would approximately double. No formal action taken.

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17-09C Director Witherell, supported by Director Naser, moved to approve the following purchase requisitions:

- Approve Purchase Requisition #14314 to Townley Engineering and Manufacturing in the amount of \$51,600 to replace the spray nozzles for 3B module during the fall shutdown
- Approve Purchase Requisition #14340 to Stock Equipment Company in the amount of \$13,695 to replace the chain gates for the feeder on the coal silo during the fall shutdown
- Approve Purchase Requisition #14363 to DP Brown in the amount of \$9,240 for springs and mesh for the grit vibrator in the Scrubber
- Approve Purchase Requisition #14341 to Kennedy Industries, Inc. in the amount of \$25,660 to rebuild the boiler feed pump element
- Approve Purchase Requisition #14342 to Northern Boiler Mechanical Contractors in the amount of \$67,495 to install a spray header system in 3B reaction tank during the fall shutdown
- Approve Purchase Requisition #14460 to Northern Boiler Mechanical Contractors in the amount of \$13,943 to repair the recirculating underground water pipe in the Scrubber
- Approve Purchase Requisition #14461 to Babcock & Wilcox Company in the amount of \$73,525 for Sims boiler tuning, fuel and airflow calibration

Most of these purchase requisitions are for parts and services for Sims' fall shutdown work.

The motion was unanimously approved.

17-09D Approve Contract with NISC for CIS/FMS Software and Support — Director Kieft, supported by Director Naser, moved to approve contracting with NISC for our CIS/FMS systems, which is a hosted solution and monthly support functions as proposed and recommended by Staff. NISC is a Cooperative with over 800 members, associate members, customers, partners and employees. Their rates are Board approved and have not been increased in several years. The BLP will not be a member owner. This contract is month-to-month after initial implementation services after required notification, which allows us to end the service at any time if desired. The motion was unanimously approved.

17-09E Approve MPPA Power Purchase Authorization associated with MPPA/NextEra Pegasus Wind Agreement (replacement for terminated Huron Wind Agreement) — Director Kieft, supported by Director Witherell, moved to approve the MPPA Power Purchase Authorization letter. The Huron Wind project was discussed at last month's meeting. The State of Michigan has legislation requiring utilities to generate 15% of their energy from renewables by 2021. We have met current mandates and with this purchase should meet the 15% but we continue to evaluate new projects that may be viable solutions for the BLP. NextEra is offering replacement wind at the same price as the Huron County contract, which was approximately

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\$45/MWh in the initial year with inflationary adjustments thereafter. Huron County had an estimated 40% capacity factor. The new project in Tuscola County has a 37.5% projected capacity factor. NextEra is assuming any added costs associated with the reduced capacity factor. We will achieve approximately 6% of our renewable energy through this wind project and already have 9% from other wind and landfill gas projects bringing the BLP to the 15% requirement by 2019. Solar projects that MPPA has evaluated to date are not competitive with wind projects like this one. MPPA is working to locate a 50 MW plus solar project that can be blended with the rest of our portfolio. This size of project should approach the \$60/MWh range but is still not competitive with this project. We will need to build a portfolio of generation assets and purchase power agreements that meet our needs 100% of the time that includes wind, gas, solar, etc. We will continue to evaluate all potential projects, most likely at MPPA with other municipal partners, as we build more renewables into the BLP's portfolio. The Tuscola County project is a good project and replaces the void from the Huron County project. MPPA signed the contract with NextEra. This type of arrangement (large renewable project developed by independent third party contracted to joint action agency and then "entitlements" to the power sold from the agency to its members) allows small municipalities to gain access to "at scale" projects (having the benefits of economies of scale and scope) and provides an opportunity to diversify supply to their smaller members. The General Manager is recommending approval to execute the replacement authorization letter. The motion was unanimously approved.

17-09F Approve Amount of "Make Whole" Payments to the City Associated with Defined Benefit Pension Conversion — Director Witherell, supported by Director Kieft, moved to approve the 'make whole' payment to the City of Grand Haven. When we began to implement the defined benefit/pension changes, MERS informed us we need to split the combined City and GHBLP General Employee group on June 1 in order to close the GHBLP group on July 1. This caused an increase in costs to the plan and the City is requesting reimbursement. The motion was unanimously approved.

17-09G Review Black & Veatch "J.B. Sims Unit 3 Heat Rate Assessment: On-Site Study" Associated with Asset360 Monitoring and Diagnostics Services — The General Manager and Sims employees met with Black & Veatch today to discuss their initial assessment. This report compares heat rates the Sims plant is achieving today to those demonstrated when the plant was placed in service. The report shows we are operating approximately 11% less efficient than when Sims III went into service. Under normal circumstances, a plant would reduce efficiencies approximately 5% or less over this length of time. We are evaluating what we can change to make the whole unit more efficient. Our primary problem is the fuel is not combusting efficiently, which is creating high amounts of unburned carbon. We also need to tune the boiler, which has not been done in a long time, and is the purpose of PR #14461 to Babcock & Wilcox. No formal action taken.

17-09H Closed Session to Discuss Confidential Attorney-Client Privileged Information — Director Witherell, supported by Director Kieft, moved to enter into closed session pursuant to Section 8(h) of the Open Meetings Act to consider written communications protected by attorney-client privilege and exempt from disclosure under Section 13(1)(g) of the Freedom of Information Act. In a roll call vote of the Board, those in favor: Directors Kieft, Naser, Witherell and Smart; those opposed: none; those absent: Director VanderMolen. The motion was unanimously approved.

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17-09I Return to Open Session — Director Witherell, supported by Director Kieft, moved to adjourn the closed session and reenter open session. In a roll call vote of the Board, those in favor: Directors Kieft, Naser, Witherell and Smant; those opposed: none; those absent: Director VanderMolen. The motion was unanimously approved.

At 6:01 p.m. by motion of Director Kieft, supported by Director Naser, the August 17, 2017 Board meeting was adjourned.

Respectfully submitted,

Renee Molyneux
Secretary to the Board

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