

GRAND HAVEN BOARD OF LIGHT AND POWER  
MINUTES  
MAY 17, 2018

A regularly scheduled meeting of the Grand Haven Board of Light and Power was held on Thursday, May 17, 2018, at 4:00 p.m. at the Board's office located at 1700 Eaton Drive in Grand Haven, Michigan.

The meeting was called to order at 4:00 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 and Finance Manager; Rob Shelley, Distribution and Engineering Manager; and Erik Booth, Power Supply Manager.

Director Witherell, supported by Director Naser, moved to excuse Director VanderMolen from the meeting. The motion was unanimously approved.

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

18-5A Director Witherell, supported by Director Kieft, moved to approve the consent agenda. The consent agenda includes:

- Revise and approve the Minutes of the April 24, 2018 Board meeting to show the request to take action on item 5.B.4 was requested by Chairperson Smart
- Accept and file the April 2018 Financial Statements and Power Supply and Sales Dashboard
- Approve paying bills in the amount of \$1,553,400.24 from the Operation and Maintenance Fund
- Approve paying bills in the amount of \$225,745.75 from the Renewal and Replacement Fund
- Confirm Purchase Requisition #14994 to Precision Trenching, Inc. in the amount of \$8,133 for directional boring at Piper Lakes Apartments

The motion was unanimously approved.

18-5B Public Comment Period — No public comments. No formal action taken.

18-5C Director Witherell, supported by Director Kieft, moved to approve the following purchase requisitions:

- Approve Purchase Requisition #15012 to Western Tel-Com, Inc. in the amount of \$7,015 for fiber connection to GHAPS network

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- Approve Purchase Requisition #15018 to Holland Litho Printing Service in the amount of \$6,090 for FY 2019 customer communications printing services
- Approve Purchase Requisition #15023 to Resco in the amount of \$233,337 for aluminum conductor for the North-Sternberg 2019 69kV project
- Approve Purchase Requisition #15024 to Power Line Supply in the amount of \$102,877 for 138 kV insulators for the North-Sternberg 2019 69kV project
- Approve Purchase Requisition #15025 to Power Line Supply in the amount of \$105,312 for optical ground wire for the North-Sternberg 2019 69kV project
- Approve Purchase Requisition #15026 to Power Line Supply in the amount of \$168,284 for steel poles (order #1) for the North-Sternberg 2019 69kV project

Most of these purchase requisitions are for the 69kV upgrade project from the North substation to Sternberg. Engineering plans are being developed. There is a long lead time on materials. This section is approximately 6 miles long and should be the easiest to rebuild, but it is also the most costly.

The motion was unanimously approved.

18-5D Approve Resolution to Exempt BLP Employees from Public Act 152 – Director Witherell, supported by director Kieft, moved to approve the Resolution to Exempt BLP Employees from the Requirements of the Publicly Funded Health Insurance Contribution Act (Act 152 of the Michigan Public Acts of 2011) for the July 1, 2018 – December 31, 2018 Medical Benefit Plan Year.

PREAMBLE AND RESOLUTION  
FOR ACT 152 EXEMPTION FOR THE  
JULY 1, 2018 – DECEMBER 31, 2018 MEDICAL BENEFIT PLAN YEAR\*  
(Under the Publicly Funded Health Insurance Contribution Act)

PREAMBLE:

WHEREAS, the Board, in the interest of maintaining a competitive benefit package, desires to exempt all of its employees (i.e. whether or not they are in the UWUA bargaining unit) from the requirements of the Publicly Funded Health Insurance Contribution Act (Act 152 of the Michigan Public Acts of 2011 as amended – the “Act”) for the July 1, 2018 – December 31, 2018 medical benefit plan year; and

WHEREAS, such exemption is authorized by Section 8 of the Act upon a 2/3 vote of the Board’s governing body inasmuch as the Board qualifies as a “local unit of government” as a municipal electric utility system (pursuant to Section 2(d) of the Act);

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RESOLUTION:

NOW, THEREFORE, BE IT RESOLVED, by the governing body of the Board of Light and Power, as follows:

1. That, pursuant to Sections 8(1) and 8(2) of the Act, the Board hereby determines, upon a 2/3 vote of its governing body, to exempt itself from the requirements of Sections 3 and 4 of the Act with respect to all Board employees (i.e. whether or not they are subject to or covered by a collective bargaining agreement); and

2. That the Board's exemption of itself from the requirements of the Act, as provided in Paragraph 1 (above) of this Resolution, shall be effective for the medical benefit plan year commencing July 1, 2018 and ending December 31, 2018.

In a roll call vote of the Board, those in favor: Directors Kieft, Naser, Witherell and Smart; those opposed: none; those absent: VanderMolen. The motion was approved.

18-5E Approve FY 2019 Budget and Capital Improvement Plan – Director Witherell, supported by Director Kieft, moved to approve the FY 2019 Budget and Capital Improvement Plan as proposed.

A preliminary budget was presented at the April 2018 meeting. Revenues are based on rates, the estimated PCA, and kWh sales volume. We are assuming a 1% increase in volume. Coal costs are increasing primarily due to transportation, which will result in an increase in the PCA. Rate reductions in 2017-18 were due to PCA reductions. We are also seeing reductions in usage from some of our largest customers.

We are proposing a 4% increase in payroll, (3% COLA and 1% for equity) for employees. Health care costs are down this year due to a reduction in the workforce; benefits are staying the same. Full Time Equivalents in 2019 are expected to be at 65 employees, down from 74 employees in 2018. We are adding one employee to Distribution to prepare for upcoming retirements in the line crew. Sims workforce is down 10 employees. We are replacing the workforce reduction at Sims with contractors. This budget includes \$3.6 million for non-labor related expenses.

This is a status-quo budget assuming minimal life extension and environmental improvement expenses at Sims.

Cash Flow – We are starting at \$12 million in FY 2019. According to Utility Financial Solution's cost of service study, we should have \$18 million for cash reserves. We are on a path to build cash to \$14.5 million next year and will also be converting coal to cash. We should have approximately \$18 million in cash plus another \$3-4 million in reserves before we go to the Bond

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market. The \$18 million is a calculation to determine the minimum amount of cash on hand for operations as determined by UFS. We should have an additional 10% of what the Board desires to bond on hand for debt reserve account. If the Board wants to invest money in Sims, the Board will need to either raise rates to collect that cash, revise the Capital Improvement Plan, and/or take money out of cash.

The planned purchased power schedule (Sims shutdown) for FY 2019 is September – November 2018 and March – May 2019.

In a roll call vote of the Board, those in favor: Directors Kieft, Smart, and Witherell; those opposed: Naser; those absent: VanderMolen. Motion passed.

18-5F Discussion of the “Integrated Grid” and the IRP – An educational discussion was held on the “Integrated Grid” to address current misconceptions regarding Grid investments and reliability. Since 2005, there has been an emphasis and priority to improve the Grid. The greatest amount of investment since 2005 has been to upgrade the Grid. Nationally, there is \$20 billion plus in planned investments each year for the next 5 years. Locally, Wolverine will invest over \$50 million. In the past, cities generated their own power and operated as islands. Beginning in 1960, utilities began to work together to interconnect. In the early 2000’s, utilities in Michigan stopped owning the grid and independent transmission operators were born. All users were to be treated the same, and all planning and pricing transferred from utilities to Independent System Operators (ISO’s). DTE and Consumers Energy divested ownership of the grid, which transitioned to ITC. ISO’s dispatch generators to meet load at any given time.

An Integrated Resource Plan (IRP) integrates your assets with others in the area. Michigan Public Power Agency (MPPA) plans an hour by hour dispatch for its members. Grand Haven provides MPPA a ‘must run’ schedule, and removes itself from dispatch when Sim’s is operating. When Sims is offline, the grid operator ensures Grand Haven receives the power we need for our customers. The IRP is the plan under which we normally operate, and any assets we build must fit within the MISO model to be called upon to run.

Today, utilities are generating less and less because customers are supplying more resources to the generation mix. The BLP is located in an over supplied area; therefore, we need to consider this when we will be dispatched during our planning process. If the Board desires to build, we need to consider what resource will be right for our community as well as how they fit into the grid around us. Grand Haven should consider a resource that comes online fast when other resources are unable to. We are in a very transparent marketplace. We know exactly what is being paid, hour by hour, for generation. The General Manager recommends the Board look at investing in Reciprocating Internal Combustion Engine (RICE) units. No formal action taken.

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18-5G Sims Condition Assessment Update –Black & Veatch began their condition assessment of Sims on April 30, 2018. We anticipate receiving the report in June. No formal action taken.

18-5H Scrubber Evaluation Update –Siddock began their condition assessment of the Scrubber on April 30, 2018. They will forward their report to Black & Veatch upon completion. No formal action taken.

18-5I June Board Meeting Schedule – The Board scheduled its annual General Manager Performance evaluation on June 28, 2018 at 3:15 PM. No formal action taken.

At 5:57 p.m. by motion of Director Witherell, supported by Director Kieft, the May 17, 2018 Board meeting was adjourned.

Respectfully submitted,

Renee Molyneux  
Secretary to the Board

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