

GRAND HAVEN BOARD OF LIGHT AND POWER  
MINUTES  
APRIL 24, 2018

A regularly scheduled meeting of the Grand Haven Board of Light and Power was held on Tuesday, April 24, 2018, at 4:00 p.m. at the Grand Haven Community Center, 421 Columbus Avenue, in Grand Haven, Michigan.

The meeting was called to order at 4:00 p.m. by Chairperson Smart.

Present were Directors Kieft, Naser, VanderMolen, 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 Naser moved to revise the meeting agenda to move item 5.B.2., "Review and Approve BLP Sims Power Plant Closure Recommendation Report," to follow item 5.B.5, "Approve Recommendation Re: Sims Closure Plan." No support was received on the motion.

Director Witherell, supported by Director Kieft, moved to revise and approve the meeting agenda to include Board Action on item 5.B.4 as requested by Chairperson Smart (accept a proposal rather than receive all proposals for information). The motion was unanimously approved.

18-4A Director Kieft, supported by Director Witherell, moved to approve the consent agenda. The consent agenda includes:

- Approve the Minutes of the March 15, 2018 Board meeting and the March 19, 2018 Joint Board/City Council Meeting
- Accept and file the March 2018 Financial Statements and Power Supply and Sales Dashboard
- Approve paying bills in the amount of \$3,323,915.57 from the Operation and Maintenance Fund
- Approve paying bills in the amount of \$119,949.25 from the Renewal and Replacement Fund
- Confirm Purchase Requisition #14893 to Michigan Cat, Inc. in the amount of \$6,904 to repair the hydraulic gear pump on the loader
- Confirm Purchase Requisition #14900 to Grand Haven Gasket in the amount of \$5,769 for Teflon seals for the precipitator rapper drives
- Confirm Purchase Requisition #14903 to Applied Industrial Technologies in the amount of \$8,321 for sheaves and bushings for the recirculation pumps

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- Confirm Purchase Requisition #14920 to Townley Engineering & Manufacturing in the amount of \$7,412 for Scrubber module replacement valves
- Confirm Purchase Requisition #14925 to Lutz, Daily & Brain, LLC in the amount of \$49,247 for additional engineering costs associated with ash handling design changes
- Confirm Purchase Requisition #14937 to Northern Boiler Mechanical Contractor in the amount of \$12,075 for repairs to the boiler and recirculation pump sleeve
- Confirm Purchase Requisition #14941 to Northern Boiler Mechanical Contractor in the amount of \$104,056 for mechanical work during spring outage
- Confirm Purchase Requisition #14939 to Alpine Power Systems in the amount of \$6,150 for year two of a 3-year battery inspection, testing and maintenance agreement for the Island and North Substations
- Confirm Purchase Requisition #14940 to Monarch Welding & Engineering in the amount of \$32,364 to install new recirculating slurry pumps on 3B module
- Confirm Purchase Requisition #14949 to Applied Industrial Technologies in the amount of \$5,997 to repair leaking gear boxes
- Confirm Purchase Requisition #14955 to Pro-Seal Service Group, Inc. in the amount of \$5,306 for primary air fan and air compressor lube oils

The motion was unanimously approved.

18-4B Public Comment Period —

City resident Andy Cawthon commended General Manager Walters' reports regarding the Sims Power Plant, especially related to finances. Mr. Cawthon agrees with the plant closure. Mr. Cawthon asked if it would be possible that the cost to relocate the snowmelt system heat source could be incorporated in any future BLP bond issue for a new plant.

Mayor McCaleb stated she would like to see a framework where City Council and the BLP Board could work together to consider Sims Plant closure. This process should include more time for public comment, even though she understands the BLP held customer meetings by invitation. She referenced the BLP's five year Strategic Plan and stated the Plan does not specifically state the plant will be closed.

Chairperson Smant explained the Board process for tonight. After a direction is set, the BLP Board and Staff will begin the process to move forward. The Board is taking the first step at tonight's meeting. The Board will then work with City Council to assist them in reviewing the Board's actions as may be necessary.

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City resident and council member Mike Fritz stated he is disappointed the Board did not take better care of the plant. Mr. Fritz suggested the Board should have asked for more money from ratepayers to make necessary equipment upgrades and repairs over the years.

Chairperson Smart informed Mr. Fritz the BLP has spent millions of dollars per year on needed maintenance and has raised rates to do so. General Manager Walters was asked to further address this issue in his later presentation to the Board at this meeting.

Laura Judge, Holland resident, recommends closure of Sims to help reduce fossil fuel emissions.

No formal action taken.

18-4C Director Witherell, supported by Director Kieft, moved to approve the following purchase requisitions:

- Approve Purchase Requisition #14947 to Bridgewell Resources, LLC in the amount of \$24,556 for power poles for scheduled distribution circuit upgrade projects and needed pole replacements
- Approve Purchase Requisition #14948 to Resco in the amount of \$31,573 for polemount transformers for scheduled distribution circuit upgrade projects
- Approve Purchase Requisition #14972 to MCR Performance Solutions LLC in the amount of \$40,000 for a Fall 2018 MISO Attachment O transmission revenue distribution accounting records review and analysis assistance in preparation for transition to 2020 Network Integration Transmission Service (NITS)
- Approve Purchase Requisition #14974 to Kent Power Inc. in the amount of \$278,013 for contract line services to reconstruct scheduled circuit upgrade projects
- Approve Purchase Requisition #14981 to Environmental Drilling & Contracting in the amount of \$8,597 for installation of monitoring wells for CCR compliance
- Approve Purchase Requisition #14986 to Sidock Group, Inc. in the amount of \$50,500 for a structural stability and integrity inspection, testing, analysis and engineering services of scrubber module vessels and supports

Purchase Requisition #14972 to MCR Performance Solutions is to hire a consultant to review accounting records for our transmission line upgrade investments to ensure they are properly booked (for MISO) in advance of becoming a NITS customer.

While conducting a condition assessment of the scrubber modules, the BLP identified buckling in the Module A vessel, which is a safety concern. Purchase Requisition #14986 to Sidock Group is for an engineering evaluation of the Scrubber.

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The motion was unanimously approved.

18-4D Approve State Mandated Green Energy Rider (Voluntary Green Pricing – or VGP – program as required by PA 342 of 2016 Section 61) — Director Witherell, supported by Director Kieft, moved to approve the Green Energy Rider program rate as proposed. PA 342 – Section 61 requires electric providers to offer to its customers the opportunity to participate in a voluntary green pricing program under which customers may purchase renewable energy above what electric providers are required to provide through the Act. The proposed green energy rate “rider” of \$0.02 per kWh would be added above customer’s standard base per kWh rate. Elections must be made in 100 kWh blocks and may be made annually with automatic renewals. The BLP will then purchase additional Renewal Energy Credits on behalf of customers participating in the program. The motion was unanimously approved.

18-4E Review and Approve BLP Sims Power Plant Closure Recommendation Report and Amendment — Director Witherell, supported by Director Kieft, moved to approve the Sims Power Plant Closure Report substantially as presented to, and as amended by, the Board. The General Manager presented a summary of the Sims Power Plant Closure Report. The eight key points include:

- 1) The Sims power plant no longer provides the BLP an economical primary source of power.
- 2) The Sims power plant does not impact BLP customer reliability.
- 3) The Sims power plant is small in comparison to most other operating coal-fired plants; however, it is “oversized” in comparison to the energy needs of the BLP.
- 4) The Sims power plant cannot operate beyond 2020 safely, reliably, economically, efficiently and effectively without incurring substantial additional expense.
- 5) The substantial risks and costs associated with continued operations of the Sims power plant far exceed any benefits, including any “ancillary” ones.
- 6) The Sims power plant closure plan is consistent with identified customer sentiment.
- 7) Substantial environmental regulatory compliance costs may be avoided by establishing a firm date of closure on June 1, 2020.
- 8) The BLP can and will continue to meet the community’s expectations for quality local electric service that returns value to its customers and the community as a whole without operating the Sims power plant beyond June 1, 2020.

Discussion regarding current compliance issues with the ash ponds was held. The BLP has been in discussions with the EPA regarding this matter. There is a provision in the rules that states, if a closure date is set (for the plant), the EPA may allow us to remediate the ponds following its closure. If we do not set a closure date by June 30, 2018, the BLP will be required to invest approximately \$500,000 in the ash handling system to be completed by October 1, 2018. If a closure date is set, we may be able to avoid these costs.

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The General Manager recommends the Board amend as it deems appropriate and then approve the Sims Power Plant Closure Recommendation report.

In a roll call vote of the Board, those in favor: Directors Kieft, Smant, and Witherell; those opposed: Directors Naser and VanderMolen; those absent: none. Motion passed.

18-4F Review and Approve Answers to Questions RE: Sims Closure – Director Witherell, supported by Director Kieft, moved to approve Sims power plant closure questions and answers as proposed by Staff and amended by the Board. In a roll call vote of the Board, those in favor: Directors Kieft, Smant, and Witherell; those opposed: Directors Naser and VanderMolen; those absent: none. Motion passed.

18-4G Accept Sims Independent Engineering Condition Assessment Proposal from Black & Veatch – Director Witherell, supported by Director Kieft, moved to approve accepting the proposal from Black & Veatch (B&V) in the amount of \$32,500 to conduct an independent, third party condition assessment of Sims. BLP Staff sought proposals to have an independent assessment of the plant in response to questions regarding the BLP's internal assessment. The BLP received three proposals for Board consideration. B&V is the original design firm for the Sims Unit III. The BLP has also contracted with B&V for Sims performance and equipment monitoring and diagnostic software and services. This software allows B&V to instantaneously and continuously monitor the plant including its heat rates and the efficiency. In a roll call vote of the Board, those in favor: Directors Kieft, Smant, Witherell and VanderMolen; those opposed: Director Naser; those absent: none. Motion passed.

18-4H Approve Recommendation Regarding Sims Closure Plan – Director Witherell, supported by Director Kieft, moved to approve ceasing operations of the Sims Power Plant on June 1, 2020 and begin further plant closure planning efforts as may be necessary and prudent. Assumptions consistent with this approval are to be used in preparation of the FY 2019 Budget. In a roll call vote of the Board, those in favor: Directors Kieft, Smant, and Witherell; those opposed: Directors Naser and VanderMolen; those absent: none. Motion passed.

18-4I Approve Preparation and Sending of Notification Letter from the Board to City Council Regarding its Approval of Sims Power Plant Closure and Planning Process – Director Witherell, supported by Director Kieft, moved to approve sending a notification letter from the Board (signed by the Chair and General Manager) to City Council to notify them of Action 18-4H (above) to cease operations of Sims Power Plant June 1, 2020, and that such approval will be used as a basis within the BLP's FY 2019 budget for coal, Sims power plant operations and maintenance, and purchased power. Attachments to this letter will include the following:

- Board Approved Sims Power Plant Closure Recommendation Report (Action 18-4E)
- Board Approved Sims Closure Questions and Answers (Action 18-4F)
- Independent Black & Veatch Life Assessment, when complete (Action 18-4G)

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In a roll call vote of the Board, those in favor: Directors Kieft, Smant, VanderMolen and Witherell; those opposed: Director Naser; those absent: none. Motion passed.

Additionally, the Board expressed consensus of its willingness and desire to meet with City Council to discuss the Board's approved recommendation and associated foundational information. The Board will assist the City Council as may be necessary so they may more fully understand the circumstances involved, gain public comment, and further the BLP's continued public education on this issue. Additionally, the Board supports attaining qualified and professionally competent third party(s) to provide services as may be appropriate to assist the BLP and the City to achieve these objectives.

18-4J Review Preliminary Fiscal Year 2019 Budget and Initial Budgetary Assumption – Director Witherell, supported by Director Kieft, moved to accept the Preliminary FY 2019 Budget for informational purposes and the assumption used in it in regards to power supply (purchases and generation). The General Manager reviewed the preliminary budget as provided. The budget includes assumptions for a proposed strategy to operate Sims during the fiscal year. Sims will be running less and at lower levels to protect the remaining life of the plant, and the BLP will be purchasing more power. On the revenue side, the BLP is projecting slight growth this year. We are expecting about 1% in load growth over the next year; however, this is still a reduction below FY 2017 actual. There are no rate adjustments proposed or included in the FY 2019 budget. The Capital Improvement Plan will be approved along with the budget at the May 2018 meeting. Currently, the BLP is assuming a 'status quo' budgeted amount for Sims' repairs of approximately \$3.5 million total, which includes \$1.5 million for unscheduled outages. The motion was unanimously approved.

18-4K Receive for Information APPA Report on 2016 Survey of Payments and Contributions by Public Power Utilities to State and Local Governments Entitled "Public Power Pays Back" – The BLP contributes approximately \$2 million per year to the City of Grand Haven for its Payment in Lieu of Taxes (Pilot). The Report suggests Nation Wide Pilot contributions average 5.6% of revenues to cities. Regionally, the average is approximately 3.5%. The BLP contributes 5% of its revenues. No formal action taken.

18-4L Update of NISC Customer Information System (CIS) Installation and Implementation – Lynn Diffell, BLP Accounting & Finance Manager, informed the Board we are going live with our new CIS system May 7, 2018. The first cycle of newly designed bills will be mailed May 15, 2018 along with instructional information explaining how to read the new bills and how to register for SmartHub, our new online bill pay system. With the new system, customers will be able to pay their electric bills online, over the phone and by credit card at our customer service counter. The process should be seamless. No formal action taken.

The Board is invited to attend the MPPA Stakeholders Meeting on May 23, 2018 in Grand Rapids. No formal action taken.

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Director Smant thanked guests for attending tonight's meeting.

At 6:15 p.m. by motion of Director Witherell, supported by Director Kieft, the April 24, 2018 Board meeting was adjourned.

Respectfully submitted,

Renee Molyneux  
Secretary to the Board

RM