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Board of Light and Power

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General Manager
David R. Walters

April 26, 2018

Mayor and City Council:

As you all are aware, the Board of Light and Power has been evaluating the future of the J.B. Sims Power Plant for some time. More recently, management and staff at the plant have conducted an assessment to identify necessary repairs on Unit 3 to continue safe, reliable, and economical generation operations beyond 2020. The Board has now concluded that it is not prudent or cost effective to further invest in these repairs to keep the plant operational over a longer period of time. At its meeting on April 24, the Board of Light and Power voted to approve ceasing power generation operations at the Sims Power Plant and to close the facility effective June 1, 2020 and begin further planning efforts to effectuate this decision. Additionally, the Board's budgetary process for Fiscal Year 2019 that is now underway requires assumptions to be made regarding the operations of Sims Power Plant over the next year (particularly in regards to determining revenue requirements and rates, coal purchases, plant maintenance expenses, and wholesale power transactions). Whether the plant is operated longer over an extended period has substantial impact on next year's budget in these line items. The Board directed BLP staff to prepare a Fiscal Year 2019 budget consistent with a plant closure date of June 1, 2020.

This letter is to provide notification to the City Council of these Board actions. It is our understanding that City Council must approve the Board of Light and Power ceasing power generation operations at the Sims Power Plant and the Board is hereby asking City Council to do so. These decisions and direction by the Board represent the next steps in achieving the Board's long term strategic objective to "transition to a more sustainable, economical, and diversified power supply portfolio."

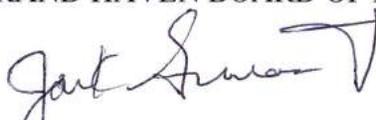
Attached to this letter is information to assist the City Council in reviewing the Board's decision to cease Sims Power Plant operations effective June 1, 2020. At its last meeting, the Board also approved the attached "Sims Power Plant Closure Recommendation Report" and Sims Power Plant Closure "Questions and Answers," documents containing information the Board used in completing its assessment and making its conclusions regarding the plant. Furthermore, the Board accepted a proposal from the engineering firm Black and Veatch to conduct an independent "Life Assessment" of the plant to confirm the Board's decision and to provide recommended next steps based on their findings. This project is expected to be completed in early June and the report will be forwarded to City Council as soon as it is available.

The Board wishes to express its willingness and desire to meet with City Council to more fully discuss the information used in the Board's assessment to reach its independent conclusions. The Board is committed to assist the City Council as may be necessary to carry out your role as

the general legislative body of the City in reviewing our actions in these regards. Additionally, the Board will assist City Council in understanding the circumstances involved, help gain public comments, and further the BLP's continued public education on this issue. The Board supports attaining qualified and professionally competent third parties to provide services as may be deemed appropriate by the Board and City Council in this process. The BLP Board Chair has been tasked by the Board to facilitate this review process with the Mayor.

We look forward to working with you to achieve our established mission of meeting "our community's expectations for quality local electric utility service that returns value to our customers and the community as a whole".

Sincerely,
GRAND HAVEN BOARD OF LIGHT & POWER



Jack Smant
Chairman of the Board



David Walters
General Manager

Enclosures

c: BLP Board of Directors