

## Fiscal Years 2017 - 2021



# Grand Haven Board of Light & Power



## Fundamental changes continue to occur in the electric utility industry.

Twenty years ago most customers in the United States bought their electricity from privately-owned vertically integrated monopoly utilities that owned and operated large centralized generating plants and the transmission and distribution networks that delivered the power from these sources to the load. Like other municipally-owned public power utilities at that time, the Grand Haven Board of Light and Power provided a cost effective, reliable, local alternative to these private entities, as we have since our inception in 1896.

Now, much of our nation's high voltage transmission grid is controlled by Independent System Operators (ISOs) that oversee broad regional wholesale markets in which significant amounts of electricity are being supplied by independent power producers. Renewable energy has become a viable alternative to older plants using more carbon intensive fossil fuels. Technological advancements have enabled improvements in system operability and reliability.

Today's electric customers have more choices and many are electing "behind-the-meter" and Demand Side Management (DSM) options or alternative energy suppliers.

The GHBLP, however, remains a valuable local community asset in this more complex ever evolving industry. The Board desired to

proactively develop a new Strategic Plan that addresses the challenges and opportunities associated with these significant changes.

As the GHBLP has adapted and changed in the past to meet our customers' growing energy needs, this Plan provides a course forward, identifies progressive actions, and sets future objectives that will allow us to continue to meet our mission to the community.

This Strategic Plan is the culmination of a three-month, 8-step process completed by the Board and its Executive Staff facilitated by Hometown Connections. As highlighted herein, this process included revising the GHBLP mission statement, reiterating our core values, examining our market and customer base, analyzing our organizational Strengths and Weakness, external Opportunities and Threats (SWOT), establishing six strategic areas of focus, and developing outcomes and goals within each area. Staff will now begin the implementation phase by developing detailed action plans for each goal and reporting progress to the Board.



The **GHBLP mission** is to meet our community's expectations for quality local electric utility service that returns value to our customers and the community as a whole.

**Our core values** are to:







## Strengths

The BLP has proved itself as a long-term reliable electric utility provider to the Tri-Cities area, providing service and value to the community since 1896.

The utility is locally-controlled by a five-member elected Board of Directors that has a vested interest in providing power in a reliable, cost effective, and responsive manner.

Our current workforce is skilled, professional and is committed to providing quality, customer focused utility services.

The utility possesses excess generation capacity meeting all current regulatory requirements and will be free of any debt on July 1, 2016.

Local generation provides for transmission tariff savings through the use of point-to-point service.

A renegotiated coal contract provides a more economical fixed fuel hedge through 2017.

Like all public power utilities, our services are concentrated and focused on providing value to the local community, not remote stockholders nor more diverse interests.

## Weaknesses

The BLP's infrastructure is aging and requires significant investment over the foreseeable future. Current grid interconnections and sub-transmission assets are inadequately sized to meet peak system demands without running local generation.

Current power supply resources lack diversity and long-term dependability and are carbon intensive.

The BLP has not adequately kept pace with technology advancements.

The current average age of our workforce is 46.8 years. Workforce diversity and succession planning are critical issues moving forward.

The utility currently possesses inadequate cash reserves to meet identified demands for capital and its rates are higher than most comparable utilities in the State.

## Opportunities

Rate simplification and restructuring, along with debt retirement, has provided an opportunity to reduce and stabilize our rates, rebuild cash reserves, and make necessary investments in facilities and equipment.

Current fuel and purchase power prices offer attractive long-term opportunities for power supply portfolio diversification. Operating in a region under the control of an Independent System Operator (ISO) provides the BLP more transparent market alternatives than those historically available.

Renewable energy alternatives are becoming increasingly cost competitive with traditional fossil fuel resources.

The BLP seeks to gain a better understanding of customer expectations through market research and public engagement, and to align its services with community values.

Our membership in an effective and proven state joint action agency provides a mechanism to partner with other public power and private utilities in cost effective jointly owned and operated at scale projects and regional market participation.

Our utility is no doubt at a crossroads, requiring a long-term recommitment to progress and investment in its people, technology, and facilities.

New utility programs, such as energy efficiency and demand-side management, are providing utilities new avenues to offer customer value.

## Threats

The electric utility industry is continuously evolving under new regulatory and environmental rules and mandates.

Power supply portfolio diversification and energy risk mitigation is increasingly important in today's electric utility industry.

Physical and cyber security threats present real challenges. The BLP must update its technology and infrastructure to ensure the security and reliability of our community's assets.

Customers are demanding more options and alternatives from their utility providers.

Legislative and regulatory initiatives continue to infringe on local control.



# Financial Management



## Strategic Objective:

GHBLP will operate in a manner that ensures long-term financial resources, rate stability, and customer value.

## Specific Areas of Concern:

- CIS/financial hardware and software
- Cash reserve management
- Bond ratings
- Rate policies
- Cost-of service determinations
- Purchasing
- Financial monitoring and reporting
- Budgeting and capital planning

## Goals:

- Develop and implement a 5-year rate plan consistent with our cost-of-service study by December 31, 2016
- Update our cash reserves policy by December 31, 2016
- Complete annual audit with no noted compliance issues or material weaknesses
- Purchase and install new customer information, billing, and financial system by December 31, 2017

# Customer/Community Engagement



## Strategic Objective:

GHBLP will gain an understanding of customer expectations through market research and community engagement and provide customer focused educational and utility programs.

## Specific Areas of Concern:

- Market research
- Customer service training
- Customer service tools/technology
- Utility programs (such as DSM/energy optimization/key accounts/economic development)
- Social media/website
- Community/public outreach
- Community education

## Goals:

- Perform appropriate annual market research and customer engagement (public meetings, events, civic presentations, school demonstrations, customer forums) to determine and understand customer and community interests and needs
- Develop an action plan to identify, track and address any deficiencies

# Transmission and Distribution



## Strategic Objective:

GHBLP will design, construct, operate and maintain a safe, reliable and modern transmission and distribution system that provides adequate capacity for future load growth and supports a diverse power supply portfolio.

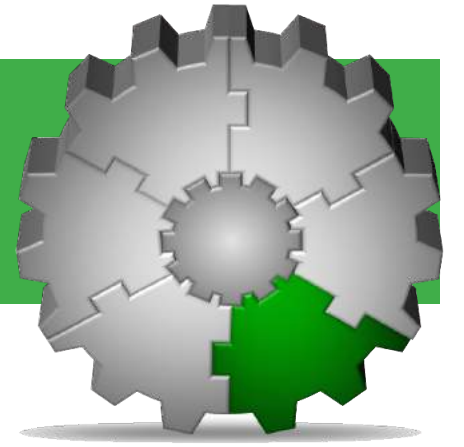
### Specific Areas of Concern:

- Transmissioninterconnection upgrades
- Distribution system undergrounding
- T&Dsystem engineering assessment
- Long-termcapital improvement plan to address aging infrastructure and necessary improvements
- Preventative maintenance and testing plan
- Technologyissues
- VoltageUpgrades

### Goals:

- Develop and implement a preventative maintenance and testing plan by December 31, 2016
- Complete necessary 69 kV and 138 kV improvements in our area to support peak system load and minimum voltage requirements with Sims III off-line during single contingency outage conditions by December 31, 2019
- Performin-depth system engineering assessment and modify 5-year capital plan to address identified issues and necessary system improvements by June 30, 2017

# Power Supply



## Strategic Objective:

GHBLP will operate its existing generation facilities efficiently and supplement such operations with effective wholesale market transactions. Additionally, the GHBLP is committed to transitioning to a more sustainable, economical, and diversified power supply portfolio.

### Specific Areas of Concern:

- Operations of existing generation facilities
- Wholesale market transactions
- Portfoliodiversification
- Energy risk management practices
- Integrated resource planning
- Renewableand less carbon intensive resources
- Transmissionservice review (PTP vs. NITS)
- Compliance with new regulatory and legislative initiatives

### Goals:

- Monitor Sims III heat rate, establish acceptable operating range, and track and report results monthly
- Reviewfuel (natural gas and coal) purchasing plan and implement appropriate changes to lower cost and mitigate risk as current contracts expire
- Quarterly review, and modify as necessary, the 5-year (2016-2020) power supply (or hedge) plan developed by MPPA consistent with established energy risk management practices
- Evaluate potential generation projects and longer-term purchased power alternatives that could provide “a more sustainable, economical, and diversified power supply portfolio” focusing on proven renewable and natural gas fired technologies. Develop an abbreviated integrated resource plan for the period from 2020-2025 by June 30, 2018



# Workforce



## Strategic Objective:

GHBLP will attract and retain a qualified, competent and professional workforce.

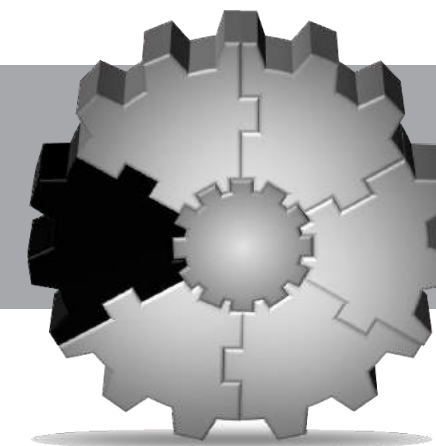
## Specific Areas of Concern:

- Maintaining competitive compensation and benefits
- Effective use of outsourcing/partnerships/alliances to lower costs and improve productivity
- Training and professional development
- Safety program
- Hiring and retention practices
- Wellness programming
- Managing change
- Continuous improvement
- Collective bargaining
- Conflict resolution
- Succession planning

## Goals:

- Review and improve the employee performance evaluation and goal setting process by December 31, 2016
- Complete Distribution/Engineering departmental restructuring plan by March 31, 2017
- Review, update and improve Succession Plan Policy by December 31, 2017

# Business Practices & Processes



## Strategic Objective:

GHBLP will establish and adhere to appropriate business practices and processes that promote efficient, effective and sustainable utility operations.

## Specific Areas of Concern:

- Governance
- Service territory expansion
- Use of “best” practices
- Utility benchmarking
- Operational monitoring and reporting
- Efficient use of new technology
- Office facilities assessment and plan
- Purchasing and inventory control

## Goals:

- Establish and implement a coordinated organizational Technology Plan by December 31, 2017
- Update and modernize customer service center by December 31, 2017
- Review and revise service territory and distribution system expansion policies by June 30, 2017
- Develop and approve a process and complete a Board self-evaluation by June 30, 2017.



## **Grand Haven Board of Light & Power**

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