

GRAND HAVEN BOARD OF LIGHT AND POWER
MINUTES
SEPTEMBER 20, 2018

A regularly scheduled meeting of the Grand Haven Board of Light and Power was held on Thursday, September 20, 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, VanderMolen, Witherell and Smart.

Also present were David Walters, General Manager; Renee Molyneux, Administrative Services Manager and Secretary to the Board; Rob Shelley, Distribution and Engineering Manager, Erik Booth, Power Supply Manager, and Ronald Bultje, City Attorney from Dickenson Wright.

Director Witherell, supported by Director Kieft, moved to add item 6.B. October Meeting Date and approve the amended meeting agenda. The motion was unanimously approved.

18-9A Director Witherell, supported by Director Kieft, moved to approve the consent agenda. The consent agenda includes:

- Approve the Minutes of the August 16, 2018 Board meeting
- Accept and file the August 2018 Financial Statements and Power Supply and Sales Dashboard
- Approve paying bills in the amount of \$4,570,046.72 from the Operation and Maintenance Fund
- Approve paying bills in the amount of \$509,642.50 from the Renewal and Replacement Fund
- Confirm Purchase Order #20153 to Northern Boiler Mechanical Contractor in the amount of \$8,376 for emergency repairs to Sims 10" tailwater piping
- Confirm Purchase Order #20157 to CDW Computer Government in the amount of \$9,277 for Microsoft Windows Server 2016 software
- Confirm Purchase Order #20159 to ABB Service in the amount of \$13,411 for Sims boiler control tuning
- Confirm Purchase Order #20161 to A Meredith Scheider Company in the amount of \$11,468 for power poles
- Confirm Purchase Order #20162 to Wolverine Power Supply, Inc. in the amount of \$8,000 for apprentice lineman training program fees
- Confirm Purchase Order #20177 to Northern Boiler Mechanical Contractor in the amount of \$6,161 for emergency repairs to the high-pressure ash line
- Confirm Purchase Order #20188 to PCM Sales, Inc. in the amount of \$6,472 for Microsoft Office 365 1-year software subscriptions
- Confirm Purchase Order #20193 to Wheeler World, Inc. in the amount of \$9,388 for repairs to diesel engine #1

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- Confirm Purchase Order #20203 to Corrosion Fluid Products Corporation in the amount of \$7,291 for a replacement strainer for the low-pressure ash system
- Confirm Purchase Order #20204 to Galloup Company in the amount of \$18,120 for stainless steel flanges for failed tailwater line repairs
- Confirm Purchase Order #20205 to Buist Electric in the amount of \$31,025 for low voltage assessment and testing as identified in the Black & Veatch Life Assessment Report
- Confirm Purchase Order #20206 to Corrosion Fluid Products Corporation in the amount of \$6,837 for valves for the bottom ash system emergency repairs
- Confirm Purchase Order #20210 to Intron Energy Info Systems in the amount of \$8,484 for annual MV90 metering software support and license
- Confirm Purchase Order #20214 to Stock Equipment Company in the amount of \$14,352 for Sims chain gate replacement
- Approve FY 2018 Year-End Write Off in the amount of \$27,357.02 as recommended by the Finance Manager

The motion was unanimously approved.

18-9B Public Comment Period — Chairperson Smart opened the floor for public comments.

Kent Blohm, resident, expressed support and commended the Board for their action to close Sims.

Dr. Nicholas Pietrangelo, resident, discussed two solar projects, (Barrett and MAREC). He praised the BLP's reliability efforts.

Brett Little, Executive Director of Green Home Institute, commended the Board's efforts to close Sims. He asked the Board to look to Holland BPW's energy optimization programs.

Chairperson Smart thanked the audience for their comments and added it's the BLP's staff who should be commended on reliability efforts.

No formal action taken.

18-9C Director Witherell, supported by Director Kieft, moved to approve the following purchase orders:

- Approve Purchase Order #20189 to Structural Preservation System in the amount of \$18,300 for chimney and duct safety inspection highlighted in Sims condition assessment
- Approve Purchase Order #20213 to Power Line Supply Company in the amount of \$13,696 for Pad-mount 3-phase fused sectionalizing cabinets
- Approve Purchase Order #20216 to Bridgewell Resources LLC, in the amount of \$11,836 for 36 power poles to replenish stock

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- Approve Purchase Order #20222 to Adams Remco, Inc. in the amount of \$5,502 for a Toshiba printer/copier for the Service Center office
- Approve Purchase Order #20223 to Resco in the amount of \$40,729 for 20 pad-mount transformers and basements
- Approve Purchase Order #20224 to C.C. Power, LLC, \$1,301,290 for the 69 kV transmission line re-build North to Morford Substation project construction contract
- Approve Purchase Order #20225 to TransAmerican Power Products in the amount of \$235,142 for the 69 kV transmission line re-build North to Morford Substation project steel poles order #4
- Approve Purchase Order #20226 to Sustainable Strategies DC in the amount of \$12,000 to produce a funding “resource roadmap” for potential assistance in Sims closure activities and site remediation
- Approve Purchase Order #20229 to Rockford Construction in the amount of \$256,931 for Service Center garage maintenance and remodel
- Approve Purchase Order #20230 to Power Line Supply Company in the amount of \$36,508 for the 69 kV transmission line re-build North to Morford Substation project insulators and related hardware

Three purchase orders are for Phase III of the 69kV Transmission Line upgrade project. This is the longest section of line. The entire project (all three phases) was originally estimated at \$10.8 million. The overall project is now projected at \$5.8 million. These savings (\$5.0 million) were repurposed to paying down the MERS defined benefit plans.

Purchase Order # 20229 to Rockford Construction is for Phase II of the Service Center Remodel Project. This phase encompasses replacement of the warehouse roof, painting the warehouse interior and garage doors, paving in the yard, replacement of warehouse ceiling heating units, currently electric, with high efficiency gas units and warehouse lighting with energy efficient LEDs.

Purchase Order #20226 to Sustainable Strategies DC is for consulting services. Attorney Matt Ward started Sustainable Strategies DC to assist their clients with access to funding for various projects. He will be researching potential grant programs for Sims closure, demolition, site remediation, employee training, a replacement boiler for the snowmelt system and a path forward. Ward believes there may be several programs available for funding as a result of Federal commitments to help financially troubled coal and nuclear power plants. The first step is to layout a roadmap with recommendations on how to proceed.

The motion was unanimously approved.

18-9D Director Witherell, supported by Director Kieft, moved to receive the Sims Power Plant Closure Status summary report for information.

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The General Manager drafted the status summary report following City Council's September 4, 2018 meeting in response to apparent confusion regarding where we are with Sims. The BLP has not proposed or budgeted any funds to keep the plant open. City council would need to state they want to change the course the BLP is on to keep the plant operating. In addition, a substantial rate increase of 16% - 20% (or another funding source as determined and approved) would be required to fund the repairs. The existing rate structure is in accordance with our Cost of Service Study conducted by Utility Financial Solutions in 2016. Plant repairs would require an additional \$7 million per year over the next 5 years. If we were to bond the repairs, they would be financed over the remaining "unknown" life of Sims. Director Naser asked Chairperson Smart to send the Sims Power Plant Closure Status summary report to City Council and the City Manager.

The motion was unanimously approved.

18-9E Director Witherell, supported by Director Kieft, moved to receive the MPPA Quarterly Power Supply Plan for information.

MPPA's recommendations were reviewed by the Board. Due to recent actions to close Sims and adjust operations, we are now operating out of compliance with GHBLP's forward hedge plan. MPPA's Quarterly Power Supply Plan includes an Executive Summary with recommendations on how to move forward. Because Grand Haven has always generated the majority of its power, our forward hedges came in the form of coal purchases. MPPA is required to submit its resource adequacy plans to MISO in April of each year. Sims is no longer in the Plan after June 1, 2020; therefore, MPPA will need to be notified of Grand Haven's adequate capacity replacement or they will have to go out and buy on our behalf. This decision must be provided to MPPA early in 2019.

MPPA is going to the energy markets in October for energy purchases. GHBLP needs to be 80% hedged going into a given year. An energy hedge requires fuel to be purchased for owned assets. A hedge is a financial transaction for a future date at a firm price. MPPA recommends Grand Haven enter the market in October with other MPPA members. MPPA states the hedges will be below the cost to operate Sims. Sims current expense plus fixed costs is \$65-\$70/MWh. Hedged costs for capacity and energy are projected in the \$53-\$54 range. Next spring, we will need to deal with capacity for the 2021-2023 timeframe. If the decision to build another resource is made, it could potentially be online by late 2022. We would submit an affidavit to include the new resource (or Sims) when the decision is finalized.

The motion was unanimously approved.

18-9F Director Witherell, supported by Director Kieft, moved to authorize the General Manager to execute the MPPA Energy Services Project Transaction Authorization and Purchase Power Commitment for up to 10.5 MW of installed capacity from two Solar Power Supply Agreements.

The General Manager reviewed the terms of the Energy Service Agreement with Michigan Public Power Agency and the proposed solar project opportunity with the Board. This solar project is needed for the BLP to meet the State's renewable energy requirements and is an authorization for MPPA to move forward on the project.

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MPPA has been evaluating solar projects for the last 12 – 18 months. They are executing agreements for two solar projects for 110 MW's total. Lansing is contracting directly for 20 MW's and MPPA is contracting for 90 MW's. Both are large capital projects that are backed by parent companies; Assembly Solar (\$43/MWh) and Invenergy (\$39/MWh).

Grand Haven will receive capacity, energy, and renewable energy credits with this project. We currently have 8.5% renewable. We are required to have 10% and are using credits from previous years' generation to meet the requirement. Renewal energy requirements are increasing to 12% for the next two years. The new wind project is on hold for federal aviation approval. We may need this solar project get to 15% by 2021. This is a 25-year authorization with MPPA for 10.5 MW's. We will also bring this to City Council for ratification, consistent with past practices.

The motion was unanimously approved.

18-9G Director Kieft, supported by Director Witherell, moved to authorize the General Manager to execute the Letter of Authorization for the purchase of Energy by Michigan Public Power Agency on behalf of Grand Haven for calendar years 2021 - 2023.

MPPA went out for indicative pricing. The maximum commitment is \$8,431,500. This is a liquid commodity product which may be sold. The Board needs to take a position in the market now to protect the GHBLP from future price fluctuations. The energy pricing/hedge is an approximate 75% energy reduction from current Sim's fuel cost.

The motion was unanimously approved.

18-9H Erik Booth, Power Supply Manager, provided a presentation covering an overview of the Auxiliary Boiler and the repairs that have been made to the boiler since 2015 and the City's Snowmelt Agreement. Johnston Boiler was contracted to perform a condition assessment of the Auxiliary Boiler following the Sims condition assessment. Staff feels the auxiliary boiler is sufficient to heat both the facility and the snowmelt system during the months of November and March; however, this cannot be guaranteed. This is going above and beyond the terms of the Snowmelt Agreement executed by the City of Grand Haven and the Board of Light & Power on November 15, 2010, which states, "If the Sims plant is temporarily shut down for any reason, its provision of heated water to the Downtown Snowmelt System will be suspended until the plant is back in service." The GHBLP is committed to providing heat for the community's snowmelt system and desires to work collaboratively with the City through the transitional period.

Burns & McDonnell was contracted by the Board in July 2018 to prepare a future power supply plan. They are currently conducting modeling to determine the most economical power supply options available to serve the BLP's electrical system. If the model determines a local generating resource is viable, the most economical means of providing snowmelt will be incorporated into the design. The auxiliary boiler may be dedicated solely to the snow melt system while the plant is being dismantled. If the auxiliary boiler is not an acceptable solution during the transition, an additional boiler could be installed temporarily that may be incorporated into the new facility once constructed.

No formal action taken.

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18-9I Director Kieft, supported by Director Witherell, moved to approve the Board's resolution response to City Council.

The Board requested the Sims Power Plant Closure Status report approved earlier in the meeting be included with the Board's resolution response when provided to City Council. The Board also asked Chairperson Smant to include a letter with the materials stating the BLP is already in the process of completing some of the issues raised in the resolution. The Board requested letters to Council dated April 26 and August 20 be included with the package, which commit the BLP to developing, providing, and discussing any information needed for City Council to approve of the Board's action to "cease power generation operations at the Sims Power Plant and close the facility effective June 20, 2020." The Board continues its commitment to meeting and discussing ongoing future power supply and snowmelt planning with Council, or a subcommittee, for this purpose.

The motion was unanimously approved.

18-9J Director Kieft, supported by Director Witherell, moved to adjourn the open session and enter into closed session pursuant to Section 8(h) of the Open Meetings Act to consider written communications protected by the 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, VanderMolen, Witherell, and Smant; those opposed: none.

The motion was unanimously approved.

18-9K Director Kieft, supported by Director Witherell, moved to adjourn the closed session and reenter open session. In a roll call vote of the Board, those in favor: Directors Kieft, Naser, VanderMolen, Witherell, and Smant; those opposed: none.

The motion was unanimously approved.

18-9L By consensus, the Board approved moving the October 18, 2018 meeting to Tuesday, October 16, 2018 at 4:00 PM.

At 7:00 p.m. by motion of Director Witherell, supported by Director Kieft, the September 20, 2018 Board meeting was adjourned.

Respectfully submitted,

Renee Molyneux
Secretary to the Board

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