

GRAND HAVEN BOARD OF LIGHT AND POWER
MINUTES
JUNE 11, 2020

A special work session of the Grand Haven Board of Light and Power was held on Thursday, June 11, 2020 at 3:00 p.m. at the Board's office located 1700 Eaton Drive in Grand Haven, Michigan and electronically via live Zoom Meeting.

The meeting was called to order at 3:01 p.m. by Chairperson Smart.

Present were Directors Crum, Kieft, Naser, Witherell and Smart.

Also present were David Walters, General Manager and Renee Molyneux, Administrative Services Manager and Secretary to the Board.

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

Discussion was held regarding the BLP's billing timeline, Public Act 95 Low-Income Energy Assistance Fund, and customer deposit requirements during this working session.

The General Manager provided an overview on the BLP's billing cycle. This was an item reviewed in our Organizational Checkup in late 2015. In their report, Hometown Connection points to the importance of keeping these practices current and addressing any determined shortcomings promptly. The "revenue cycle" represents the average time from meter read date to disconnect date (if account remains delinquent). Currently, we have a 10 to 12-day lag between the last manual meter read to the day billing is submitted (billing date). We will be reducing this lag to an average of 4 working days per billing cycle and will be able to shrink that even further as AMI is fully implemented. Additionally, we allow customers a 5-day grace period before penalties and late fees are applied. We have a 45-day period from billing date to disconnect date. Uncollectible accounts are submitted to a third-party collections agency three months following final bills (for those that leave the system and do not pay).

Public Act 95 Low-Income Energy Assistance Fund (LIEAF) was implemented in 2013. Prior to the Act, this low-income program was funded via State taxes through the State's General Fund. The State now collects funding from all electric users in the State and uses the funding to assist customers in need throughout the State to pay for delinquent gas and electric bills (and weatherization programs). Municipal electric utilities are allowed to 'opt out' of LIEAF; however, when a utility opts out of collecting the LIEAF tax on behalf of the State, this utility is not allowed to shut off delinquent residential customers between November 1 and April 15.

Additionally, these customers are not eligible to receive assistance from LIEAF from November 1 – April 15 of each year. If the Board does not opt out of LIEAF, shutoff protection is still in place via Section 460.9r of Act 3 of 1939 for senior citizens and eligible low-income customers who have entered a winter protection payment plan.

In 2013, BLP deposit requirements were increased to 6 month's average billing on rental properties we could not lien; however, this revision was not applied to mobile home communities, which is where most of our uncollectible accounts reside (61.3% of total write-offs in FY2019). Mobile home accounts are 7.5 times more likely to be "written-off" as unpaid compared to rates

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of other accounts and the average unpaid balances in these write-offs from these accounts are 2 times higher than write-offs of other accounts.

In 2019, we implemented a fixed, non-discriminatory \$400 deposit on properties that we cannot lien. This number was based on 6 month's average residential usage and covers the period we cannot disconnect due to PA95's requirements. If the Board does not opt out of PA95, we would not need to collect a six month deposit amount for non-payment.

Staff recommends not opting out of PA95, which would allow us to reduce deposits to \$80 for properties within the City limits with no waiver of lien, \$120 for properties outside of the City limits with no waiver of lien, and \$160 for lien waiver properties and other properties we cannot lien, such as mobile homes.

Director Kieft feels we can have more than one practice in place for mobile home communities.

Director Naser feels PA95 and deposits should be tied together.

The General Manager stated a broader question needs to be asked: What is the BLP's appropriate credit policy, particularly deposits when longer-term credit exposure exists? Credit practices are receiving increased scrutiny by rating agencies.

Director Naser asked if the increased deposit amount is applied to all customers, even if they had been a property owner in good standing with the BLP for many years then relocate to a rental property. The General Manager stated deposits are applied on all properties as stated in our policies. We do not perform credit checks or review a customer's credit history. Collateral requirements (deposits or lien potential) are determined based on the BLP's credit exposure, not a customer's credit history.

Director Crum requested clarification on deposit amounts. Currently, deposits are \$100 for properties within the City limits with no waiver of lien, \$150 for properties outside of the City limits with no waiver of lien, and \$400 for properties with lien waivers and for properties we cannot lien such as mobile homes. These rules are posted on our website.

Staff recommended not opt out of PA95 and reducing deposit amounts accordingly (\$80, \$120, \$160). If the Board decides to opt out of PA95, Staff recommends leaving deposits at current levels to ensure we have enough collateral to cover uncollectible accounts.

The General Manager had discussed options for mobile home communities to assume some of the BLP's credit risk from their mobile home occupants. That conversation fell apart when the Board waived its stance on the current deposit amount.

Chairperson Smant stated the Board shall address PA95 at the June 18, 2020 Board Meeting and asked the General Manager to propose a solution for deposits for a future discussion.

No formal action taken during this Working Session.

At 4:42 p.m. by motion of Director Witherell, supported by Director Kieft, the June 11, 2020 work session was adjourned.

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Respectfully submitted,

Renee Molyneux
Secretary to the Board

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