

GRAND HAVEN BOARD OF LIGHT AND POWER  
MINUTES  
NOVEMBER 12, 2020

A regularly scheduled meeting of the Grand Haven Board of Light and Power was held on Thursday, November 12, 2020 at 4:00 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 4:00 p.m. by Chairperson Smart.

Present were Directors Crum, Naser, Witherell and Smart.

Also present were David Walters, General Manager; Renee Molyneux, Administrative Services Manager and Secretary to the Board; Lynn Diffell, Accounting & Finance Manager; Erik Booth, Power Supply Manager; and Rob Shelley, Distribution and Engineering Manager.

Director Witherell, supported by Director Naser, moved to excuse Director Kieft from the meeting for medical reasons. The motion was unanimously approved.

20-14A Director Witherell, supported by Director Naser, moved to approve the meeting agenda. The motion was unanimously approved.

20-14B Director Witherell, supported by Director Naser, moved to approve the consent agenda. The consent agenda includes:

- Approve Minutes of the November 5, 2020 Board Meeting
- Accept and file the October 2020 Financial Statements and Power Supply and Sales Dashboard
- Approve paying bills in the amount of \$2,319,911.64 from the Operation and Maintenance Fund
- Approve paying bills in the amount of \$801,788.04 from the Renewal and Replacement Fund
- Confirm Purchase Order #21555 to Landis and Gyr Technology, Inc. in the amount of \$43,992 for final order for initial installation of AMI
- Confirm Purchase Order #21560 to Precision Trenching, Inc. in the amount of \$7,793 for directional boring

The financial report includes audit adjustments discussed at last week's meeting. On the Balance Sheet, there is an \$8.9 million increase in cash; however, \$8 million has been borrowed from the Bond Anticipation Note. Capital assets, year-over-year, shows a reduction in property, plant, equipment, and depreciation of approximately \$100 million. Demolition and remediation expenses will become line item expenses. Net pension liabilities increased.

Income Statement revenues are slightly ahead of budget. Residential is up (higher cost sales) and C&I is down. Expenses are 11.5% below budget. Power purchases are on budget. Distribution Operations is below budget because some of the labor has been capitalized to AMI or other projects.

The motion was unanimously approved.

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20-14C Public Comment Period. Director Kieft requested the following letter received from Mark White, President & CEO of Shape Corp. be read during the Public Comment period:

“Dear Mayor Monetza, City Council and GHBLP Board Members:

Shape Corporation (Shape) is the City’s largest employer, a significant contributor to community needs, and is the largest customer of the electrical energy supply from Grand Haven Board of Light and Power (GHBLP), whose future we write to you about today.

Over the last few years Shape has carefully monitored the communication releases and decisions concerning the planned shut-down of the Sims Coal Power Plant. After attending multiple GHBLP community outreach meetings and engaging the GHBLP around this topic in public meetings and in separate meetings with our energy team, we feel compelled to share our thoughts and concerns with you after reviewing your October 16 announcement about a conceptual master plan for Harbor Island redevelopment.

Stable and reliable energy supply is critical for the 24/7 manufacturing operations Shape conducts at its several industrial plants in Grand Haven, which employ about 1,600 people. Electric power is our single largest production-related spend after raw materials and affects our customer prices. Additionally, as a competitor in the global automotive market, Shape faces constant pressure to increase the overall efficiency of our production. In order to maintain sustainable business growth in Grand Haven, Shape is seeking strategic partnerships and open dialogue with business partners, suppliers, and community stakeholders like the GHBLP.

Over the past decade Shape has been concerned with the high cost of electricity supply from GHBLP. GHBLP has significantly higher electricity rates compared to Shape’s other US manufacturing sites located across three states and four utilities. In addition, GHBLP abandoned a rate aggregation contract with Shape in 2016 and increased our rates without notice. Discussions about using Consumer’s Energy at some of our facilities currently serviced by GHBLP were met with comments regarding resisting approval at the Michigan Public Utility Commission. We have been a good customer, we have consistently sought fair treatment from GHBLP, and we have evidence it is not competitive. With the retirement of the Sims Coal Power Plant, it is Shape’s position that the GHBLP has an exciting opportunity to reduce operational costs and streamline operations.

It is the opinion of Shape that foregoing the construction of any generation or capacity assets offers the lowest risk and best long-term value option for GHBLP and its rate payers. GHBLP has made public statements that buying energy “off the grid” is the most cost-effective option, that local capacity is not needed as a back-up or source of income to sell “to the grid,” and that it has diversified its energy sourcing already with the addition of rights to sustainable energy sources such as wind and solar. In fact, GHBLP has publicly promised that rates will not increase after decommissioning of Sims, mostly because the utility will be able to provide electricity at the lower cost of purchased energy. The utility’s October 16 announcement now asserts that RICE generators can produce power more economically during peak demand periods than buying from the grid. Additionally, GHBLP previously made public statements that it can support the downtown snowmelt system without the need for construction of several natural gas-powered engines on Harbor Island, which is also reversed in the October 16 statement. It appears the Board’s abandoned plan to replace coal power with natural gas RICE units was resurrected with new consultants, as reflected in the September Board meeting minutes. Shape would be very

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disappointed if any assets were constructed in the near term, only to be stranded with the economics for operation are no longer suitable. As you know, in this scenario the responsibility to fund this stranded asset would fall on Shape and the other rate payers not GHBLP. This was the situation facing rate payers near the end of the life of Sims when the asset was not economically competitive but money was still being sunk into it. Shape does not want to see this scenario happen again.

Thank you for considering Shape's point of view; we are hopeful that you agree with our assessment as well.

Sincerely,

Mark White  
President & CEO

cc: Dave Walters, GHBLP"

Kent Blohm, 1820 Pine Ct, stated the best way to reduce energy is to reduce energy consumption and asked if the BLP helps homeowners and businesses determine how they can lower their energy usage.

The General Manager stated the Energy Waste Reduction program was established by the State through Public Act 295. No credits are allowed for energy audits; however, energy savings identified through an energy audit that are installed may be eligible for BLP rebate incentives.

Andrea Hendrick, 1514 Pennoyer, stated it is unacceptable for the Board to approve half a million dollars for consulting services when the country was in the throes of the presidential election. She feels the Board is trying to suppress the concerns of community members and asked them to listen. Hendrick stated she does not understand what Golder and Staff members were presenting regarding the cleanup of the CCR impoundments at Sims and feels the presentation should have been reduced to a level where community members are able to understand what is being presented.

No formal action taken.

20-14D Director Naser, supported by Director Witherell, moved to approve the following purchase orders:

- Approve Purchase Order #21537 to Power Line Supply Company in the amount of \$50,057 to order materials for the First Street voltage conversion project
- Approve Purchase Order #21556 to Kent Power Inc. in the amount of \$446,962 for the First Street voltage conversion project construction contract
- Approve Purchase Order #21558 to Delta Star, Inc. in the amount of \$904,099 for the Osipoff Substation 40 MVA replacement transformer

The motion was unanimously approved.

20-14E Director Witherell, supported by Director Crum, moved to request from City Council separation of the BLP MERS Defined Benefit Plan from the City Plan.

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A discussion regarding MERS changes in defined benefit actuarial assumptions was held during the financial audit discussion at last week's meeting. These changes caused increases to the unfunded pension liability. Any cash disbursement the Board would like to implement to GHBLP's defined benefit plans should occur prior to December 31, 2020 to ensure it is included in this year's actuarial evaluation.

The net pension liability report in the audited financial statements includes information for the full City plan. With this, the BLP's data is included in the total, making it difficult to determine the Board's actual liability. The BLP will want to show the rating agencies GHBLP only data and information.

Consistent with the Board's request at its October 1, 2020 meeting, Staff worked with MERS to determine what it would take for the BLP to split from the City's Plan and become our own MERS Plan. A legal review ensued, and it was determined GHBLP can separate from the City's Plan. We will need to complete an application and have it approved by the Board, then ratified by City Council. There are no additional administrative costs involved with this separation. This action would be consistent with our recent health care plan split with the City where there was a mutual desire to account for costs independently. Splitting the BLP out of the City Plan will show actual funding levels for both the BLP and the City going forward. Questions for the Board include, 1) Do we want to move forward with the split; and 2) Do we want to be more aggressive with funding the unfunded liability for the BLP Defined Benefit Plan? The split will not change any current obligations for either entity. Any changes to the BLP's Plan must be approved by the City now and after the split. They will be required to cosign all Plan documents.

The potential split was discussed with City administrative staff on Wednesday. The City Manager and Treasurer would like to discuss it with MERS directly and conduct their own analysis. Harbor Transit also split both its health care plan and DB plans from the City this year.

The purpose of tonight's motion is to get the question before City Council if desired by the Board. If the Board and Council agree to the split, the Board can then take further action to pay down the unfunded liability if that is their desire. The General Manager recommends submitting \$4 million to MERS to pay down the unfunded liability. Changes in MERS assumptions, withdrawals, and interest earnings resulted in a \$2.58 million increase to our unfunded liability this review period. The Board will hold on any transfers to the Plan until December.

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

20-13F Director Naser, supported by Director Witherell, moved to approve the Calendar Year 2021 Board Meeting Schedule as presented.

The motion was unanimously approved.

20-13G Other Business –

- Hometown Connections will be meeting with Staff members December 2 and 3, 2020 for the Business Risk Assessment. Governance is part of this assessment and Hometown

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Connections will contact members of the board with any questions. The completed report will be provided and distributed in early January.

- Strategic Planning begins January 20, 2021. The initial session will be with the Board the morning of January 20. The rest of the plan will be developed by Staff and presented to the Board at its April 2021 meeting.
- Director Witherell stated he feels the GHEnergy committee is being vetted by a special interest group to eliminate all fossil fuels, which is not possible in 2020. Witherell added we are being criticized for hiring a marketing firm for the purpose of sharing the facts when we are not being factually represented by the media and this group. Witherell added the Board has been working on this transition for a long time and shame on the GHEnergy group for not participating in the public forums earlier.
- The General Manager informed the Board the GHBLP was supposed to set aside money each year of the Sims expected life to fund future plant demolition and remediation efforts, but that did not occur. We are now required to include these costs on the balance sheet as an unfunded liability. The options going forward include either paying these costs with cash, paying via a short term loan, or to include them as part of the project on Harbor Island if the Board approves moving forward. The Board will need to determine how these expenses will be funded if a project is not approved during a future meeting.

No formal action taken.

At 5:39 p.m. by motion of Director Witherell, supported by Director Crum, the November 12, 2020 Board meeting was adjourned.

Respectfully submitted,

Renee Molyneux  
Secretary to the Board

RM