

GRAND HAVEN BOARD OF LIGHT AND POWER
MINUTES
APRIL 22, 2021

A regularly scheduled meeting of the Grand Haven Board of Light and Power was held on Thursday, April 22, 2021 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, Kieft, 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; Rob Shelley, Distribution and Engineering Manager; Dan Kasbolm and Mark Beauchamp, Utility Financial Solutions, LLC.

21-04A Director Naser, supported by Director Crum, moved to reschedule discussion of items 5.B.3. through 5.B.6. to a Board Work Session in May and approve the amended meeting agenda.

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

21-04B Director Naser, supported by Director Witherell, moved to approve the consent agenda. The consent agenda includes:

- Approve Minutes of the March 18, 2021 Board Meeting and March 22, 2021 Joint Meeting and Closed Session Minutes
- Accept and file the March 2021 Financial Statements and March Power Supply & Sales Dashboard
- Approve paying bills in the amount of \$2,259,589.56 from the Operation and Maintenance Fund
- Approve paying bills in the amount of \$921,823.33 from the Renewal and Replacement Fund
- Confirm Purchase Order #20888-18 to Jaffe, Raitt, Heuer & Weiss in the amount of \$12,734 for February 2021 legal fees associated with CCR compliance
- Confirm Purchase Order #20888-19 to Jaffe, Raitt, Heuer & Weiss in the amount of \$23,534 for March 2021 legal fees associated with CCR compliance
- Confirm Purchase Order #21453-6 to Trace Analytical in the amount of \$20,000 for sampling, testing and analytical services for environmental remediation activities on the Sims site
- Confirm Purchase Order #21541-2 to Get-R-Cut in the amount of \$10,188 for additional tree trimming services
- Confirm Purchase Order #21634-1 to Golder Associates, Inc. in the amount of \$5,100 for additional, out-of-scope environmental services
- Confirm Purchase Order #21738 to Soils and Structures Inc. in the amount of \$14,000 for a pile cap inspection under the Sims Unit 3 foundation

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- Confirm Purchase Order #21742 to Northern A-1 Services in the amount of \$16,010 for stormwater removal in the Unit 3 impoundment
- Confirm Purchase Order #21744 to Golder Associates, Inc. in the amount of \$32,730 for foundation soil review
- Confirm Purchase Order #21765 to Holland Litho Printing Service in the amount of \$6,144 for customer newsletter printing services

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

21-04C Public Comment Period – Andrea Hendrick, 1514 Pennoyer, entered her comments following the Strategic Plan discussion. She stated she was frustrated that the Board approved the 5-year Strategic Plan. She thanked Chairperson Smart and Director Naser for their service in the community. She stated she is running for the Board because she feels the Board has not operated transparently and that the community is not being heard.

No formal action taken.

21-04D Director Witherell, supported by Director Crum, moved to approve the following purchase orders:

- Approve Purchase Order #21739 to NTH Consultants in the amount of \$6,500 for additional air permitting engineering services
- Approve Purchase Order #21746 to Hydro Chem PSC in the amount of \$57,000 to pump and treat coal yard surface water
- Approve Purchase Order #21754 to Irby Utilities in the amount of \$37,240 for 8 x 50 kVA and 8 x 100 kVA pad-mount transformers for stock
- Approve Purchase Order #21755 to GRP Engineering in the amount of \$26,000 for 178th Ave distribution rebuild engineering design and contract administration
- Approve Purchase Order #21757 to Brown Wood Preserving Co., Inc. in the amount of \$39,822 for 120 wood power poles for stock and pole replacement
- Approve Purchase Order #21758 to RESCO in the amount of \$132,975 for 9 reclosures for upcoming substation work at Osipoff Substation
- Approve Purchase Order #21760 to Golder Associates, Inc. in the amount of \$38,070 for the coal yard closure plan development

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

21-04E Director Witherell, supported by Director Crum, moved to approve the FY2022-2026 Strategic Plan.

The General Manager stated we have been discussing and progressing through this process for several months, beginning with the full Board and Staff Strategic Planning Work

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Session on January 20, 2021. Final comments raised during the March Board meeting were incorporated into the Plan and the Plan is now in its final form for Board consideration.

Director Naser stated he is concerned about the power supply goal (related to the Harbor Island project) and not having a goal established for carbon emission limits. The General Manager stated the Business Practices and Technology strategic priority allows the Board to establish key performance indicators (KPI) and a carbon goal may be one of those KPIs if it so chooses. Director Naser added he feels the public should have more of an opportunity to review the Plan prior to Board approval. Chairperson Smart stated the people of the community elected the Board to address these types of items and issues and they do not understand the industry well enough to make these types of decisions. The General Manager added we have been asking for public input throughout this process, including during all our meetings with key influencers. We have not received any interest or comments beyond the Harbor Island project. Director Kieft feels there are items missing or not fully discussed.

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

21-04F The Board approved a Cost-of-Service study proposal from Utility Financial Solutions, LLC last fall, which they have been working on over the last three months.

Dan Kasbolm presented the results and recommendations of the study. Assumptions were based on sales projections (using a conservative estimate), power supply, inflation (20-year average), investment earnings, capital plans and the Harbor Island project. This study assumes the project will move forward. If the project does not move forward and revenue bonds are not issued, the Board will need to use cash on hand to pay for remediation and demolition expenses and to repay the BANs, resulting in increased rates for customers.

The PCA is currently set at zero and will need to be reviewed and reimplemented for FY 2024.

Study results show a 1.2% revenue reduction provides enough revenue to meet all utility needs for the next 5 years. The Board is currently undercharging fixed costs and overcharging on the energy side and needs to continue working toward balancing those charges.

Target Operating Income includes a general inflationary increase for a portion of expenses. UFS used 2% interest over 20 years for debt. Debt to equity is between 30% and 50% - 60%.

The Minimum Cash Reserve recommendation is \$13,263,602 for FY 2024. This is 45 days working capital.

Debt Coverage Ratio averages approximately 2.9 over the study period, well above any minimum debt coverage ratio.

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Cost-of-Service shows some rate classes are subsidizing other rate classes. General Service Large Secondary is not covering their costs. Monthly customer fixed costs include lines, meters, equipment, labor, etc. Energy charges cover variable costs.

The proposed rate design addresses cost-of-service components by increasing fixed charges and reducing energy charges. Rates need to reflect cost-of-service (actual costs). Currently, we have an inflated charge for energy and an undercharge for fixed charges. We are incrementally moving service charges closer to cost-of-service. UFS recommends an overall average 1.3% reduction in overall customer charges for FY2022.

The Budget and rates must be approved by the May meeting. The Board will schedule a work study meeting for a more in-depth review.

No formal action taken.

21-04G There is still a lot of misinformation in the community regarding the combined heat and power plant (CHP). The latest report included in the Board packet shows there are savings associated with building the CHP, reducing power supply costs and making this option the lowest cost option for our community. The Board was encouraged to review the report before the May Board Work Session when it will be more fully addressed.

No formal action taken.

21-04H As directed by the Board and City Council, Staff has incorporated significantly higher estimated costs to remediate the Harbor Island site into the Budget. This requires an increase of approximately \$10 million, bringing the estimated total to \$17.8 million. This amount only addresses the ash on site and is our understanding of what EGLE is requiring of us. We will draw this additional amount out of cash. If we only complete this portion of the project, (and do not build anything), and we do not issue bonds as is being suggested, the Board will need to raise customer rates. Further discussion will be held at the May Board Work Session on this item.

No formal action taken.

21-04I BANs and Revenue Bond Issuance developments will be discussed more fully in the upcoming Board Work Session. The Board was asked to submit any questions to Staff prior to the meeting so we may be better prepared to address them.

No formal action taken.

21-04J The budget and capital plan will be discussed in more detail at the upcoming Board Work Session. The General Manager reminded the Board that there is limited time before our meeting on May 20th when the budget, the capital plan, and our rates need to be approved. As such, we need to address any concerns as soon as possible.

No formal action taken.

21-04K Other Business - The 2021 MPPA Stakeholders Virtual Meeting will be held on May 14, 2021 at 9 AM. The Board was encouraged to participate.

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A Board Work Session will be held on Tuesday, May 4 at 7 PM.

No formal action taken.

At 6:13 PM. by motion of Director Witherell, supported by Director Kieft, the April 22, 2021 Board meeting was adjourned.

Respectfully submitted,

Renee Molyneux
Secretary to the Board

RM