Securing a Sustainable Energy Future:

Understanding the Bond Proposal for Environmental Cleanup, Infrastructure and Snowmelt

GHBLP Presentation to Community Town Hall
August, 2021

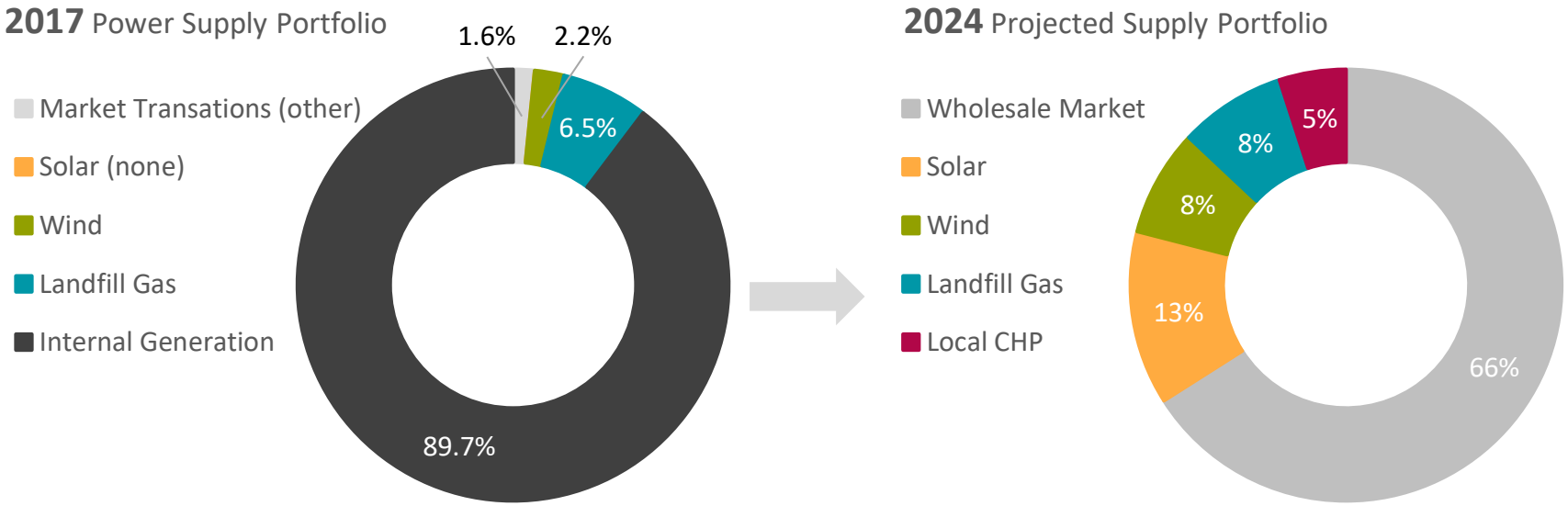
grandhavenpower.org

Thank You, Grand Haven

The BLP is thankful to the community for entrusting us to enhance the quality of life and economic vitality of our community.

The BLP is committed and accountable to provide reliable, affordable, sustainable power to residents and businesses we serve. We are excited to present the proposed project as a **component** of the best overall pathway forward for Grand Haven.

Securing a Sustainable Energy Future



GHBLP is transitioning from a **single-source coal-fired power utility** to a diversified power supply portfolio and technologically-advanced distribution system.

How Did We Get Started Down This Path?

Governing Bodies' Direction

City Council voted 5-0 and **BLP voted 4-0** in late 2018 to "commit" to building some local generation and use waste heat from that generation to power snowmelt (essentially requiring at least a portion of the generation to be built on the Sims site), **as a condition of their approval to shutdown Sims.**

Community Input

In our FY2021 survey, **82% of residential customers** indicated local generation remains important to them.

Expert Involvement and Recommendations from:

progressive ae

GOLDER

Hometown Connections

DICKINSON WRIGHT

MPPA Michigan Public Power Agency

PEC Power Engineers Collaborative, LLC

VARNUM ATTORNEYS AT LAW

Jaffe JAFFE RAITT HEUER & WEISS

ERM

BURNS McDONNELL

BLACK & VEATCH

UFS UTILITY FINANCIAL SOLUTIONS, LLC

NTH Consultants, Ltd. Infrastructure Engineering and Environmental Services

SOILS & STRUCTURES

pfm

TRACE ANALYTICAL LABORATORIES, INC.

fishbeck Engineers | Architects | Scientists | Constructors

GRP Engineering, Inc.

Much More than a Peaking Plant

Capacity (Resource Adequacy Requirements)

Path 1 | Utility Redevelopment of a portion of Sims site w/ CHP

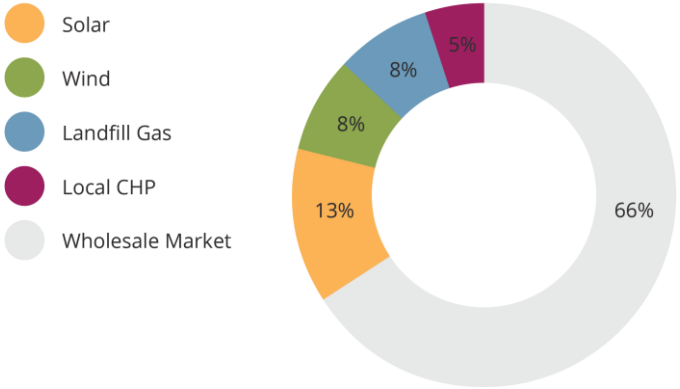
- Continued investment in renewables
- Current capacity fully hedged through 2028
- Portion of capacity requirements in current plan filled by local CHP Plant (~**15% of BLP capacity needs** over next 20 years)
- Planned June 1, 2023 COD of CHP Plant and current financing plan **does not allow for a "pause"**

Path 2 | Minimal utility redevelopment of the Sims site

- Continued investment in renewables
- All required capacity going forward purchased from network resources elsewhere
- 5-year (through 2028) market capacity purchase necessary to fill void in capacity plan created by not building CHP Plant by June 1, 2023
- **Market conditions are not conducive to a "pause" or shorter-term capacity purchases**

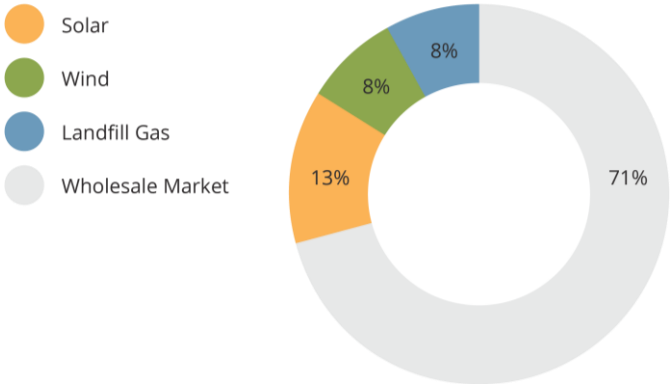
Energy

Path 1 | Utility Redevelopment of a portion of Sims site w/ CHP



- Continued investment in renewables
- Purchased energy supplemented by local CHP Plant during peak price periods

Path 2 | Minimal utility redevelopment of the Sims site



- Continued investment in renewables
- All energy purchased from remote sources with no local opportunity to generate during peak price periods (no local energy hedge)

Affordability

Path 1 | Utility Redevelopment of a portion of Sims site w/ CHP

- Known fixed cost during 20-year bond life for a portion of portfolio
- Local CHP pays for itself and saves community an estimated $5 million over next 20 years in expected capacity and energy costs
- Stabilizes energy costs during price spikes and peak hours
- Greater savings after debt service ends

Path 2 | Minimal utility redevelopment of the Sims site

- Immediate need to go to market to replace planned CHP capacity through 2028
- Purchase required capacity elsewhere and lose the estimated $5 million in capacity and energy savings over 20 years
- Earlier reintroduction of power supply cost adjustment (PSCA) in rates to cover unhedged fluctuating peak market energy costs
- Annual capacity purchases in perpetuity

Snowmelt

Path 1 | Utility Redevelopment of a portion of Sims site w/ CHP

- Snowmelt partially operated using waste heat from CHP as heat source
- Cost and benefit sharing of CHP with BLP ($300,000 in capital costs)
- Waste heat and shared CHP operating costs between Snowmelt and the BLP reduce snowmelt operating expenses an estimated $1 million over 20 years

Path 2 | Minimal utility redevelopment of the Sims site

- City Charter prevents BLP's involvement in snowmelt system without interconnection to electric generation equipment (i.e. CHP)
- City (and DDA) would have full responsibility to purchase (~$1 million capital costs) and operate equipment to support stand alone snowmelt heat source
- Additional $1+ million in operating costs (more costly snowmelt operations without waste heat option and cost sharing of CHP costs with BLP)

Environmental Remediation

Path 1 | Utility Redevelopment of a portion of Sims site w/ CHP

- Environmental work on the Sims site addressed as an element of the site's redevelopment by the BLP
- Closure of coal ash (CCR) impoundments responsibility of BLP regardless
- Harbor Island City dump partially located on Sims site (likely source of PFAS) addressed by BLP only to the extent needed for its uses and purposes ($800,000 already spent on planning and analyzing site environmental compliance activities)

Path 2 | Minimal utility redevelopment of the Sims site

- City (or another property owner) takes primary responsibility for the Sims site and any remaining Harbor Island evironmental remediation beyond that required for utility CCR impoundment closure (or other utility functions that may remain on the Sims site)
- Redevelopment of the Sims site, along with other portions of Harbor Island, for another purpose or use, and its primary funding source, unknown for Sims site (beyond closure of CCR impoundments)

Operations and Technical Facilities

Path 1 | Utility Redevelopment of a portion of Sims site w/ CHP

- Needed GHBLP operations and technical center constructed adjacent to CHP Plant on centralized Sims site as recommended by ProgressiveAE review
- ProgressiveAE determined this site Master Plan to be “highest and best use” for a portion of the Sims site

Path 2 | Minimal utility redevelopment of the Sims site

- GHBLP revises future facilities plan to obtain needed operations and technical spaces, potentially revisiting decision to vacate Diesel Plant site
- Both HCI and ProgressiveAE recommended against locating **all** necessary utility facilities on a single site
- Redefine “Project” in new bond NOI to elimiate CHP Plant and relocate Operations and Tech Center

The time to decide is now.

- ~$1 million dollars spent to date on independent, leading national power supply experts, utility planners, engineering and design experts, and finance and legal professionals to reach this recommendation
- A “pause” is not an option due to recent market capacity developments, equipment purchase dates, air permitting, bond issue, and capacity plan established schedules
- **BLP requires solid support from the community** as reflected by a **solid and vocally-supportive majority of City Council** to proceed.
- Without support, we will need to quickly pursue a 5-year capacity purchase (Path 2) to prevent further cost escalations.

Thank you

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Path 1 vs Path 2 Summary

	Path 1 | Redevelopment with CHP	Path 2 | Minimal redevelopment, no CHP
Rates	No immediate changes	No immediate changes
Renewable Integration	New purchases and projects through MPPA	New purchases and projects through MPPA with no change in expected implementation rates
Local Generation	Yes, ~5% of Energy Production (~15% of capacity)	No, 100% from others through MPPA
Financial Impact (over 20 years)	$5 Million in *projected* ***Savings***	$5 Million *additional projected* ***Cost***
Long Term Risk	Reduced energy risk to market price fluctuations	Increased exposure to risks in capacity and energy markets
Snowmelt	Most sustainable, cost-effective snowmelt solution coupled with heat rejection from RICE units in combined heat and power application	$1 million in snowmelt equipment turned over to City, snowmelt customers pay an additional ~$1 million in higher operating costs over 20 years
Environmental Cleanup Process	BLP to participate in non-CCR environmental cleanup on the Sims site to the extent necessary to occupy property	City likely to gain increased responsibility for non-CCR cleanup on Sims site
Operations & Technical Center	Located adjacent to CHP plant on Sims site	Built elsewhere, potentially former diesel plant
Pause for Further Evaluation?	No, requires immediate action to lock in cost for major equipment, gain air permit, and complete bond issue	No, requires immediate action to secure 5-year capacity purchase as market is trending up