

Board of Light and Power
Grand Haven, Michigan
Annual Report
Fiscal Year Ended 6/30/82

BOARD OF DIRECTORS



Glenn W. Eaton Jr., Chairman



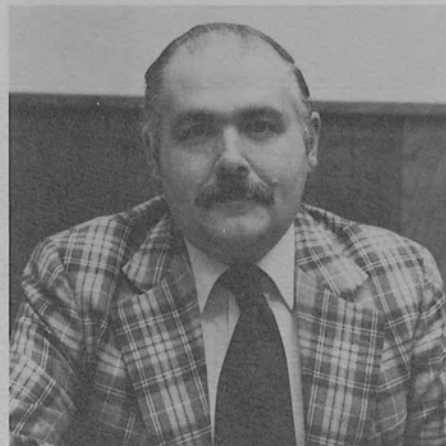
Robert Akin, Board Member



Roger Easton, Board Member



Emery Holzinger, Board Member



John Montgomery, Board Member

REPORT OF THE CHAIRMAN AND GENERAL MANAGER

The recent fiscal year ending June 30, 1982 was an exciting and eventful period for the Grand Haven Board of Light and Power. The Board continued its steady progress with respect to the construction of its Sims Unit No. 3 as well as made a number of strides in its continuing operations.

As of September 1, 1982, the Board's construction of J.B. Sims Unit No. 3, a 65 MW coal fueled generating unit, was approximately 79 percent complete based upon the labor dollar earned commodity curve. A major construction milestone was reached on July 14, 1982 when the first system, Station Power, was started up and turned over to the Board. The project is currently meeting its budget commitments and is on its schedule for initial operation in March, 1983 and commercial operation June 1, 1983. Further information regarding this subject is provided in the Architect Engineer's section of this report.

On August 19, 1982 the Board signed a long term fuel supply agreement with the Peabody Coal Company extending through the year 2001. This agreement satisfies the base load requirements of Sims No. 3. Concurrently with the signing of this contract, the Board also entered into a rail transportation contract with the Chicago, Milwaukee, St. Paul, Pacific Railroad Company for the movement of this

coal from Peabody's mine in Southern Indiana to the South Chicago loading port for transportation to Grand Haven. Both of these contracts together result in a very advantageous fuel supply arrangement for the Board and its customers.

Also within the last fiscal year, the Board obtained approval from the Rural Electrification Administration of a long term Transmission Use Agreement for the Wolverine G&T's subtransmission system within the Board's service area. The Board has begun design engineering and has purchased equipment for the establishment of a substation on the south side of its distribution area which is scheduled for commercial operation in August of 1983. This agreement will eliminate costly duplication of facilities and allowed the Board to obtain the necessary subtransmission rights at embedded costs.

On August 18, 1982 the Board entered into a new three year labor contract with its employees to replace a pact which expired July 2, 1982. This labor agreement provided for wage restraint by employees. Substantial changes were also made in contract language which allows the Board a great deal of flexibility in the staffing of its facilities.

With respect to the Board's financial results for

Distribution Line Maintenance



this fiscal year, the Board was again able to meet its projected net revenues and satisfy all requirements of the bond resolution with respect to the project equity contribution. The Board instituted a three percent rate increase on July 1, 1982 in conjunction with the adoption of its fiscal 1982/83 budget. In addition, the Board adopted the concept of a rate stabilization fund to ease the transition period when Sims 3 starts up.

The Board continues to be concerned with regard to its area KW demand and KWH sales. The Board finished the last fiscal period with no increase in KWH sales from the preceding fiscal period. Accordingly, the Board has adopted a policy and authorized Management to negotiate for the disposal of up to 17 percent of its Unit No. 3 on a unit commitment basis. Discussions pertaining to this have been

opened with interested parties and Management is hopeful that a sale will be consummated. As always, the sales future of the Board will be dependent upon national and state economic factors which are largely beyond the Board's control.

In conclusion, fiscal 1981/82 saw the accomplishment of a number of milestones set forth in Management's objectives as established by the Board. The Board was able to maintain its historically strong financial position in spite of current economic adversity. The Board has reaffirmed its goals of being responsive to its customer/owners and their energy and service requirements in line with providing the lowest possible cost electrical service in accordance with sound business practices while maintaining a beneficial and productive work force.

Plant Operations



Glenn W. Eaton, Jr. Roland H. Dawson

Glenn W. Eaton, Jr.
Chairman of the Board

Roland H. Dawson
General Manager

October 1, 1982



Glenn W. Eaton, Jr.
Chairman of the Board



Roland H. Dawson
General Manager

Annual Boiler Maintenance



BLACK & VEATCH

OF MICHIGAN
CONSULTING ENGINEERS

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KANSAS CITY, MISSOURI 64114

City of Grand Haven, Michigan
Board of Light and Power
J.B. Sims Station — Unit 3

October 12, 1982

Grand Haven Board of Light and Power
650 Harbor Avenue
Grand Haven, Michigan 49417

Attention: Mr. R.H. Dawson, General Manager

Gentlemen:

This letter summarizes for you and the bondholders the current status of the J.B. Sims Unit 3 project.

The project is within the planned budget of direct construction costs of \$70,593,000. The contingency fund of \$3,906,000 is still whole. The project should be completed within the budget.

Construction progress has proceeded on schedule. All major plant components and buildings have been installed, including the river intake and discharge structures. All major site work has been completed, except for finish grading and paving of plant access roads. Completion of construction is being prioritized to meet the needs of a systematic plant startup. The new plant's auxiliary power supply, d-c power supply, annunciator, air compressors and dryers, auxiliary cooling water, demineralizer, and storage tank systems have been placed in service. Significant effort will be required to complete construction of systems and to start up systems in the next five months prior to initial unit operation as scheduled for this project. We believe this effort will be successful. Planned commercial operation by June 1, 1983 is as originally planned.

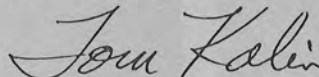
There have been no labor work stoppages; and, with the Board's signing of a new operators labor agreement, no labor problems are anticipated. Construction quality has been very good to exceptional.

A third Black & Veatch construction engineer has been located onsite to aid in mechanical, control, and instrument system construction completion and startup.

The Board of Light and Power, its General Manager, Board staff, and Black & Veatch have successfully controlled costs, quality, and schedule on this project. Should any of the bondholders have questions concerning this project, we will be glad to answer those inquiries.

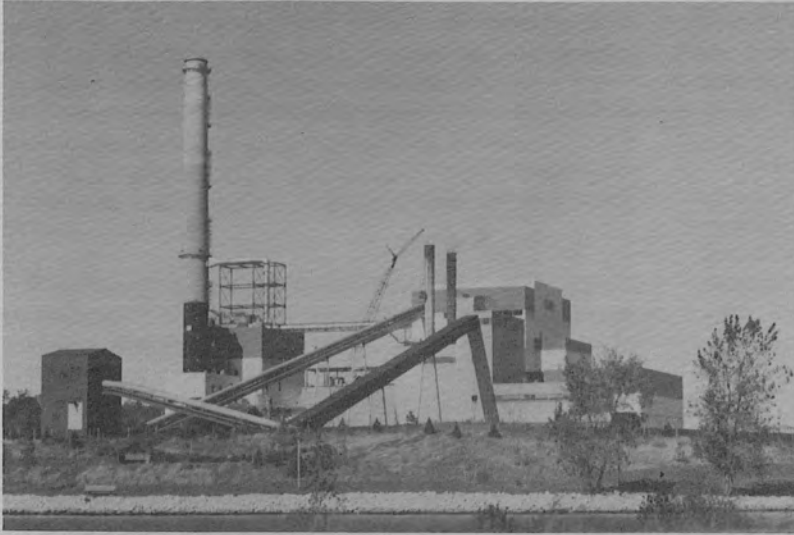
Very truly yours,

BLACK & VEATCH



Thomas E. Kalin
Project Manager

Plant Site View from the South



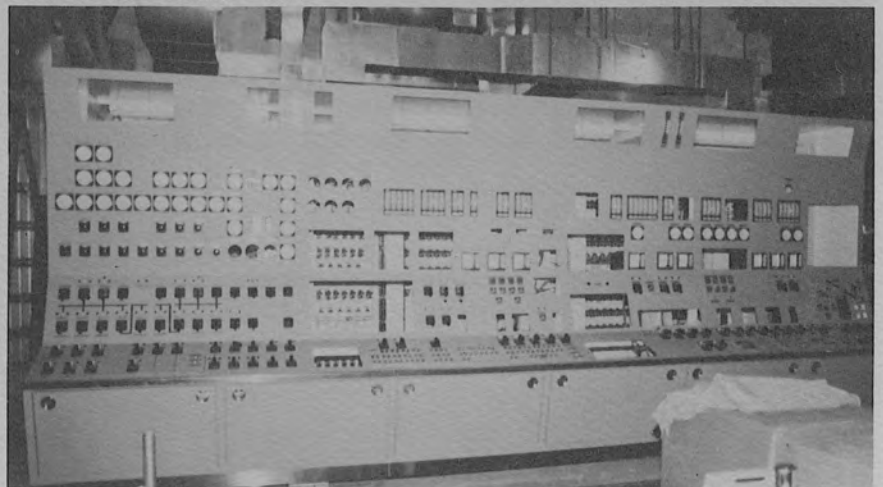
Coal Handling



Sims III Coal Conveyor



Circulating Water Discharge Pipe Installation Sims III Main Control Panel



PROFESSIONAL SERVICE ORGANIZATIONS

BOND COUNSEL

Mudge, Rose, Guthrie & Alexander
New York, New York

CERTIFIED PUBLIC ACCOUNTANTS

Seidman & Seidman
Grand Haven, Michigan

CONSULTING ENGINEER

R.W. Beck and Associates
Indianapolis, Indiana

DESIGN AND CONSTRUCTION ENGINEERS

Black and Veatch
Kansas City, Missouri

FINANCIAL ADVISOR

Blyth, Eastman, Dillon & Co. Inc.
New York, New York

GENERAL COUNSEL

Scholten, Fant & Marquis
Grand Haven, Michigan

MANAGING UNDERWRITERS

The First Boston Corporation
New York, New York

Goldman, Sacks & Company
New York, New York

First of Michigan Corporation
Detroit, Michigan

TRUSTEE

Detroit Bank and Trust Company
Detroit, Michigan

PAYING AGENTS

Citi Bank, N.A.
New York, New York

Detroit Bank & Trust Co.
Detroit, Michigan

Peoples Bank
Grand Haven, Michigan

Pacesetter Bank & Trust — west
Grand Haven, Michigan

Seidman & Seidman

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
City of Grand Haven Board of Light and Power
Grand Haven, Michigan

August 17, 1982

We have examined the balance sheets of the City of Grand Haven Board of Light and Power as of June 30, 1982 and 1981 and the related statements of income, retained earnings and changes in financial position for the year then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements mentioned present fairly the financial position of the City of Grand Haven Board of Light and Power at June 30, 1982 and 1981 and the results of its operations and changes in its financial position for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Seidman & Seidman

CITY OF GRAND HAVEN BOARD OF LIGHT AND POWER
BALANCE SHEET, JUNE 30

ASSETS	<u>1982</u>	<u>1981</u>
CURRENT ASSETS		
Cash and equivalents	\$ 2,997,117	\$ 2,269,255
Restricted assets (Note 3)	9,094,600	8,355,497
Accrued interest receivable	8,860	9,180
Accounts receivable	753,553	786,152
Inventories (Note 1):		
Fuel oil	519,037	570,621
Coal	1,960,844	1,024,326
Prepaid expenses	22,524	36,362
TOTAL CURRENT ASSETS	<u>15,356,535</u>	<u>13,051,393</u>
RESTRICTED ASSETS (Note 3)	<u>38,447,727</u>	<u>73,127,845</u>
PROPERTY, PLANT AND EQUIPMENT (Note 1):		
Steam production	5,465,682	5,447,525
Diesel production	4,206,877	4,203,188
Transmission and distribution plant	6,669,593	6,471,949
General plant	507,557	501,410
	<u>16,849,709</u>	<u>16,624,072</u>
Less accumulated depreciation	10,121,049	9,744,165
	6,728,660	6,879,907
Construction in progress (Note 6)	52,979,560	16,724,668
NET PROPERTY AND EQUIPMENT	<u>59,708,220</u>	<u>23,604,575</u>
DEFERRED CHARGES		
Unamortized debt issue costs (Note 1)	480,603	499,593
	<u>\$113,993,085</u>	<u>\$110,283,406</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable — construction	\$ 5,344,392	\$ 4,605,289
— other	796,179	169,995
Due to other funds	61,736	65,643
Accrued payroll	27,250	19,852
Accrued interest	3,750,208	3,750,208
TOTAL CURRENT LIABILITIES	<u>9,979,765</u>	<u>8,610,987</u>
LONG TERM DEBT		
Revenue bonds (Note 3)	86,770,378	86,702,038
RETAINED EARNINGS		
Unappropriated	17,242,942	14,970,381
	<u>\$113,993,085</u>	<u>\$110,283,406</u>

See accompanying notes to financial statements.

CITY OF GRAND HAVEN BOARD OF LIGHT AND POWER

STATEMENT OF INCOME

For the years ended June 30

	1982	1981
OPERATING REVENUES (Note 1):		
Residential sales	\$2,749,697	\$2,360,436
Commercial and industrial sales	5,913,615	5,294,679
Public street and highway light	148,980	131,975
Other sales to public authorities	438,691	390,523
Sales for resale	178,791	86,941
Forfeited discounts	63,336	53,792
Miscellaneous service revenues	1,300	1,550
Rental income	19,181	18,880
Total operating revenues	9,513,591	8,338,776
OPERATING EXPENSES:		
Power production	5,699,440	5,015,840
Distribution	289,894	267,867
Customer accounts	151,064	140,805
Administrative and general	562,982	518,315
Depreciation	398,326	412,685
Contribution to the general fund of the city (Note 4)	465,716	411,570
Total operating expenses	7,567,422	6,767,082
Operating profit	1,946,169	1,571,694
INTEREST — net	326,392	207,201
Income before cumulative effect of a change in accounting principle	2,272,561	1,778,895
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE (Note 2)		
	—	158,852
NET INCOME	\$2,272,561	\$1,937,747

STATEMENT OF RETAINED EARNINGS

For the years ended June 30

	1982	1981
BALANCE, at beginning of year	\$14,970,381	\$13,032,634
Net income for the year	2,272,561	1,937,747
BALANCE, at end of year	\$17,242,942	\$14,970,381

See accompanying notes to financial statements.

CITY OF GRAND HAVEN BOARD OF LIGHT AND POWER
STATEMENTS OF CHANGES IN FINANCIAL POSITION
For the years ended June 30

	1982	1981
SOURCES OF WORKING CAPITAL:		
Net income	\$ 2,272,561	\$ 1,937,747
Add item not requiring working capital — depreciation of property, plant and equipment	398,326	412,685
Total derived from operations	2,670,887	2,350,432
Decrease in restricted assets	34,680,118	15,260,114
Total	37,351,005	17,610,546
USES OF WORKING CAPITAL:		
Additions to property, plant and equipment net of bond issue costs amortization and bond discount amortization	36,414,641	16,868,663
Debt issue costs	—	1,844
Total	36,414,641	16,870,507
INCREASE IN WORKING CAPITAL	\$ 936,364	\$ 740,039
CHANGES IN WORKING CAPITAL ITEMS:		
Increase (decrease) in current assets:		
Cash and equivalents	\$ 727,862	\$ 1,169,852
Restricted assets	739,103	2,562,474
Accrued interest receivable	(320)	2,986
Accounts receivable	(32,599)	44,449
Inventories	884,934	(1,511,581)
Prepaid expenses	(13,838)	26,349
Total	2,305,142	2,294,529
Decrease (increase) in current liabilities:		
Accounts payable	(1,365,287)	(3,457,592)
Due to other funds	3,907	30,041
Accrued payroll and interest	(7,398)	1,873,061
Total	(1,368,778)	(1,554,490)
INCREASE IN WORKING CAPITAL	\$ 936,364	\$ 740,039

See accompanying notes to financial statements.

Billing Department



Meter Reading & Check



Drafting



CITY OF GRAND HAVEN BOARD OF LIGHT AND POWER

NOTES TO FINANCIAL STATEMENTS

NOTE 1 — ACCOUNTING POLICIES

A summary of the Board's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Property, Plant and Equipment

Property, plant and equipment are stated at 1929 appraisal values, plus subsequent additions at cost, less accumulated depreciation. The net carrying amount of assets included on the basis of appraised values is not significant.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives on the straight-line basis.

Inventories

Inventories are stated at cost determined principally by the moving average method.

Revenues

Electric revenues are billed on a basis of meter readings made on a monthly cycle. Power delivered but not billed is not accrued at the end of an accounting period.

Pension Plan

The Board is a participant in a contributory pension plan of the City covering substantially all of its employees. The annual contribution is based on the attained age normal cost method and includes amortization of past service costs over a remaining period of 21 years. It is the policy to fund pension costs accrued.

Unamortized Debt Issue Costs

Debt issue costs of the electric system revenue bonds are being amortized over the life of the issue by the interest method.

Capitalization of Interest

The Board capitalizes net interest cost specifically identified with the new power plant during the period of construction. Such costs will be allocated to the applicable plant and equipment and depreciated over the life of the asset. Interest costs so capitalized are reduced by interest earned on the temporary investment of the electric system revenue bond proceeds.

Investments

Significant premiums and discounts on investments purchased are being amortized on a straight-line basis from the date of purchase to the maturity date of the investment.

NOTE 2 — CHANGES IN ACCOUNTING PRINCIPLE

In fiscal 1981, the Board adopted the accounting policy of valuing inventories at the moving average method, as opposed to the weighted average method used in prior years. Management feels this change is preferable in that it makes the method of valuing inventories consistent with the method used in billing and adjusting rates.

The effect of this change was to increase income before the cumulative effect of the accounting change by \$69,860 for the year ended June 30, 1981. The cumulative effect of the change on prior years is \$158,852.

NOTE 3 — REVENUE BONDS

Revenue bonds consist of the following at June 30,

	1982	1981
7% — 8.625% Electric System revenue bonds of 1979	\$88,500,000	\$88,500,000
Less amortized discounts	<u>1,729,622</u>	<u>1,797,962</u>
	<u>\$86,770,378</u>	<u>\$86,702,038</u>

The Electric System revenue bonds of 1979 were issued pursuant to provisions of Act 94, Public Acts of Michigan, 1933, as amended, to finance plant expansion. The bonds are payable solely from the net revenues of the electric utility system of the City of Grand Haven and have a statutory first lien on the entire revenues of the system. The bonds mature as follows:

Fiscal year	Amount
1983	\$ —
1984	—
1985	—
1986	540,000
1987	590,000
1988 - 1992	3,835,000
1993 - 1997	5,900,000
1998 - 2002	9,080,000
2003 - 2007	13,975,000
2008 - 2012	21,500,000
2013 - 2017	<u>33,080,000</u>
	<u>\$88,500,000</u>

Covenants of the bond resolution provide, among other things, for restrictions on the transfer of funds, issuance of additional debt, creation of liens and the sale and lease of property. In addition, the bond resolution requires the Board to deposit in the construction account a total of \$6,500,000 from operating funds over the period from July 1, 1979 through June 30, 1983. The first four installments totaling \$5,000,000 have been deposited in the construction account as of June 30, 1982.

At June 30, the revenue bond restricted assets consisted of:

	1982	1981
Bond and interest redemption account:		
Cash	\$ 3,752,079	\$ 3,752,596
United States Treasury notes — at amortized cost, market value of \$14,126,232 and \$20,872,157 at June 30, 1982 and 1981	15,022,872	22,534,757
	<u>18,774,951</u>	<u>26,287,353</u>
Debt service reserve account:		
Cash	1,243	1,262
United States Treasury notes and federal government guaranteed security — at amortized cost, market value of \$8,829,971 and \$7,969,520 at June 30, 1982 and 1981	9,390,439	8,788,605
	<u>9,391,682</u>	<u>8,789,867</u>
Construction fund:		
Cash	29,563	29,029
United States Treasury notes and bills — at amortized cost, market value of \$17,800,569 and \$45,297,279 at June 30, 1982 and 1981	18,930,432	45,711,575
Accrued interest receivable	415,699	665,518
	<u>19,375,694</u>	<u>46,406,122</u>
Total restricted assets	47,542,327	81,483,342
Less cash and investments required for current obligations — classified as current asset	9,094,600	8,355,497
Total restricted assets classified as noncurrent assets	<u>\$38,447,727</u>	<u>\$73,127,845</u>

NOTE 4 — CONTRIBUTION TO THE GENERAL FUND OF THE CITY

Under provisions of the Charter of the City of Grand Haven, the Board is required to pay to the general fund of the City five percent of its gross retail sales.

NOTE 5 — PENSION EXPENSE

The employees of the Board are covered by the City of Grand Haven Retirement System Pension Fund. Pension expense allocated to the Board for the years ended June 30, 1982 and 1981 was \$52,639 and \$58,381, respectively, which includes amortization of past service costs over a remaining 21 years. Accumulated plan benefits and plan assets at December 31, 1981, the date of the actuarial report, is presented below:

Actuarial present value of accumulated plan benefits:	
Vested	\$3,180,061
Nonvested	1,112,735
	<u>\$4,292,796</u>
Net assets available for benefits	<u>\$5,257,117</u>

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7%. The actuarial information was not available for 1981.

NOTE 6 — COMMITMENTS

During 1980, the Board began construction on a new power generating facility and entered into construction contracts with various contractors for its completion. The estimated total cost for the Board to complete the facility will be approximately \$71,000,000 of which \$54,597,287, before capitalization of net interest income, has been incurred as of June 30, 1982.

BLP sends letter on last major contract for Sims

By R.L. McCOLLOM III

The Grand Haven Board of Light and Power Thursday night closed out a chapter in the story of Grand Haven's biggest-ever construction project.

The board voted to send a letter of intent to the T. Frederick Jackson Company of Long Island, N.Y., for \$2,672,741 worth of electrical construction work at the J.B. Sims III power plant under

board's cor anything to shoot him down about, so I've got to let him out," Kalin told board-

engineering firm Veatch, sent boardmember which h. "The first thing we would be for him to and beg for mercy b. "We haven't heard any at all," in said

By R.L. McCOLLOM III The Grand Haven Board of Light and Power Thursday night ratified a new three-year contract with members of the International Union, Local 586, Harry Unit No. 6. Harry and Dawson said what amc. 6. iators for the BLP had enthusiastic re. ed representatives of th

for the Long Isla.

its union and the firm sought relief from the results of those future negotiations, Dawson said.

The board decided not to gamble on the option and opted the firm price. Dawson said that, with Th tion, 100 r or con- have

BLP ratifies pact for power post

BLP signs \$70,000,000 coal and rail contracts

BLP buys training program for Sims III operator

By R.L. McCOLLOM III

The Grand Haven Board of Light and Power Monday night gave the nod to a \$700,000 training program for operators and other personnel at the J.B. Sims III power plant under construction.

The funds will be donated to BLP General Manager Harry Dawson, director of Grand Haven's municipal electric system, has been nominated for a director post of the American Public Power Assn.

Harry Dawson, director of Grand Haven's municipal electric system, has been nominated for a director post of the American Public Power Assn.

not	100
.20	100
8¼	100
8¼	100

BLP rate in coal decreases

By R.L. McCOLLOM III

Even though a three-percent rate hike took effect recently, Grand Haven Board of Light and Power customers have seen their bills actually decrease. The reason? The BLP made a good buy on coal this year.

BLP General Manager Harry Dawson told the board Thursday night that the rate hike served to raise the bill of the average customer, who consumes 500 kilowatts of electricity per month, a total of one dollar per month.

Through a complicated arrangement where BLP staff take on virtually all of the work of arranging transportation for the coal, the BLP has managed to buy coal for \$32.50 per ton — substantially less than the \$43 per ton that tri-plier, Industrial Fuels

aggressively sought out year, Dawson said, the average customer's 39 — for a net reduction of

pects the decrease in the fuel continue as long as the inexpensive

Through a complicated arrangement where BLP staff take on virtually all of the work of arranging transportation for the coal, the BLP has managed to buy coal for \$32.50 per ton — substantially less than

the \$43 per ton that tri-plier, Industrial Fuels

After the expiration of the contract the utility foot supply for this year of Sims III power plant unit will be supplied coal contract presented between Peabody Coal of

The contract is expected to be signed some



**Board of Light and Power
Grand Haven, Michigan
Annual Report
Fiscal Year Ended 6/30/82**