

FY2024 Rate Structure & Environmental Surcharge

The Grand Haven Board of Light & Power approved the fiscal year 2024 budget and showed that base electrical rates will remain stable for the year. One of the largest contributing factors to our stable electric rates is the diversified power supply portfolio. The board held four public meetings to review and discuss the budget.

The Board approved adding a surcharge of \$0.0035/kWh to monthly bills to begin recovering increased environmental costs resulting from combustion coal residuals findings of the recently completed drilling program on the former Sims Site. The board followed the detailed rate setting process outlined in the city charter.

The BLP will determine the PSCA monthly using a 12-month rolling average calculation of the actual cost of our power supply above a preset “base.”

Understanding Your Energy Rates

Kilowatt Hour (kWh) is the basic unit of energy by which the BLP meters and bills for electricity supplied to customers. An average residential customer uses about 580 kilowatt hours monthly.

Average Residential Bill

	June 2023		FY 2024	
Service Charge	\$	15.75	\$	15.75
Kwh Charge	580 Kwh @ .1144	66.35	580 Kwh @ .1144	66.35
PSCA	580 Kwh @ .00981	5.69	580 Kwh @ .0084	4.87
Environmental Remediation Surcharge (effective July 2023)			580 Kwh @ .0035	2.03
Total Electric Charges	\$	87.79	\$	89.00
State Tax 4%		3.51		3.56
Total Charges	\$	91.30	\$	92.56

The Monthly Service Charge is a fixed charge billed to each customer to recover costs that do not vary with the amount of electricity used. Such costs include billing, metering, administrative, and certain distribution system-related expenses.

The Senior Discount - Customers who are 65 or older and have electrical service in their name can receive a \$5 discount.

The Energy Charge recovers costs incurred by the BLP that generally vary with the amount of electricity the customer uses each month. Such costs include wholesale power purchases.

The Power Supply Cost Adjustment (PSCA) increases or decreases the Energy Charge to recover variations in the actual costs of wholesale power above or below the base cost.

The Demand Charge is assessed only to larger commercial and industrial customers. It is charged in proportionately to each customer’s maximum “peak” demand (highest electrical demand in a 15-minute interval) during the billing period.

WHY LIKE the @GrandHavenBLP on Facebook?

Because we believe all the rebates, services, and safety information that we post will keep our customers safe and save energy for our community.

Give us some LOVE and some LIKES.

For a chance to win one of five Google Nest Learning Thermostats!



To qualify to win a smart thermostat you must **start to follow us, comment or LIKE our July Plugged In post-@GrandHavenBLP by midnight, August 1, 2023**, using hashtag **#julypluggedin** to be entered into the drawing. The winners will be drawn at random and announced shortly after.

The promotion is not sponsored, endorsed, administered, or associated with Facebook. You don't need to make a purchase to win. BLP employees are not eligible to win.



Your Board of Directors:

- Michael Westbrook, Chairperson
- Gerald Witherell, Vice Chairperson
- Todd Crum, Director
- Andrea Hendrick, Director
- Kurt Knoth, Director

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PLUGGED IN

Fiscal Responsibility In Action

July 2023



Fiscal Responsibility In Action

In evaluating the effectiveness of the BLP, the greater Grand Haven community has consistently voiced a high priority on three main factors:

- **Reliability** - can I rely on my power provider for my electricity, a basic essential need?
- **Affordability** - are my rates reasonable and competitive?
- **Sustainability** - is the BLP consistently managing its operations in an environmentally responsible manner, with an eye towards its future needs?

The BLP has a solid track record with all three, stemming from the Board’s strategic planning and forward-thinking approach to operating the utility and its financial resources.

Operating the BLP Like a Business

In alignment with the requirements of the City Charter, the BLP conducts its operations using “best practices.” This means that the utility follows sound business principles in guiding its operations, making necessary capital investments in electrical infrastructure, and following a prudent financial plan. In running the utility this way, we create significant value for the community.

The energy markets are rapidly evolving, generating resources are shifting drastically, and market price volatility has reached levels not experienced before. By developing a diversified power supply portfolio, the BLP has adapted, significantly reducing its costs, and improving our competitiveness. While electric utility customers across the nation have seen their rates soar recently, the BLP has been able to hold fixed base rates steady and minimize the impact of cost increases

to our customers. This keeps money in your pocket, helps commercial customers reinvest in their own businesses, and helps our industrial customers focus on maintaining their competitiveness which improves our local economy.

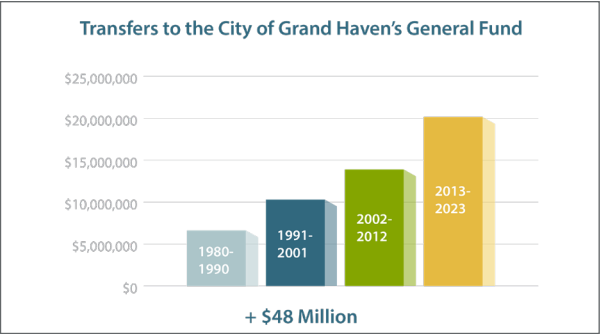
Taking Financial Responsibility Seriously

As with our intentional approach to power supply planning, the BLP has implemented similar financial planning tools in its management of the organization’s finances. One example would be the proactive management of the utility workers pension plan. Based on the most recent actuarial report, the BLP pension program is approximately 95% funded. This is in stark contrast to many government organizations that are struggling with these unfunded pension and retiree health liabilities. According to the Pew Charitable Trusts, the state of Michigan had a funding ratio of 60.4% which was the 15th lowest level in the country in 2020. These unfunded liabilities create a huge burden, which is why the BLP took necessary measures in 2017 to close the pension program and set a course to properly fund these liabilities. What this means for our customers is that they are not saddled with unfunded liabilities from past inaction well into the future.

Providing Value and Increasing Returns to the Community

Municipal electric utilities like the BLP not only provide lower rates for their customers, but also provide tremendous value to the communities that own them by supplying a return on their investment to the City’s General Fund. Since implementing its current financial plan eight years ago, the BLP has

transferred over \$14.8 million to the city’s general fund, with over \$48.4 million in total transfers over the last four decades.



A Scorecard of Financial Management

In a further measure to ensure fiscal sustainability and stability, the BLP partners with Utility Financial Solutions (UFS), experts in financial planning and strategy for utilities across the country.

“From a utilities perspective, the Grand Haven BLP is very financially stable,” commented UFS President and Founder, Mark Beauchamp. Supporting this perspective, UFS has established several industry benchmarks. Beauchamp points to five standards commonly used to gauge the financial viability of a utility organization: (see table to the right)

Regarding the final standard from the table to the right, the BLP exercises a strategy of wholesale market diversification and forward incremental purchases to avoid over-committing to one type of power purchase at any given time, while simultaneously increasing our proportion of renewable energy within that portfolio. In doing this, the utility addresses price volatility in the wholesale market and avoids over-dependency on any one resource purchase. These efforts keep our rates consistent and competitive.

To sum up, when looking at the financial management of the BLP, we are adhering to the planning measures put in place years

ago, when we changed our power supply portfolio. The ability to return almost \$2 million/year to the city’s general fund, the steadiness of the operating revenue and utility rates, the conscientious administration of the Board’s pension fund, the increasing investments in renewable energy, and the implementation of strategic guidance from financial experts clearly show that the Grand Haven community’s energy needs are being managed to provide our community with a financially stable electric utility future.

Financial Stability Criteria	BLP Results
● Cash Reserves - the funds necessary to ensure uninterrupted service in the face of unexpected events. BLP meets the necessary cash reserve requirements.	✓
● Debt Coverage Ratio - Indicates the margin available to meet current debt service and other fixed obligations. The BLP maintains adequate coverage.	✓
● Age of System - represents how much reinvestment in infrastructure is needed to stay viable, with the target being 50%. GHBLP is below that and is providing adequate reinvestments into the electrical system.	✓
● Debt to equity ratio percentage – a measure of debt an organization has relative to the value of its assets. The BLP is well within the range of comparable utility companies.	✓
● Competitive costs - the BLP has locked in most of its supply costs for the next five years and passes the savings to customers. BLP residential rates are approximately 30% lower than local private utilities, significantly lower than MI rural electric cooperatives, and lower than the average MI municipal utility residential customers.	✓