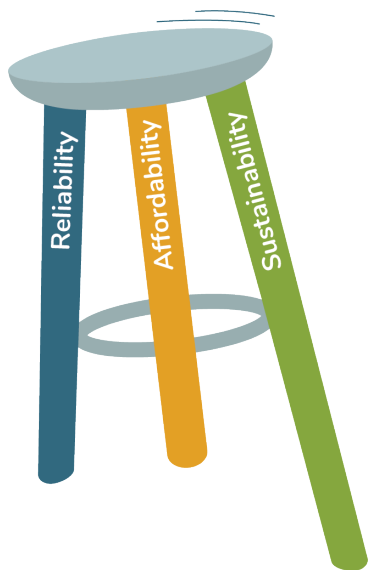


A Balanced Approach to Utility Management can't

Throughout the 2023-2024 winter season, dozens of social media comments reflected how grateful the BLP's customers were for the rapid response of the BLP team restoring power when storms took their toll. Focusing only on affordability risks negatively impacting reliability and sustainability.

Sustainability

Speaking of sustainable energy, the BLP consistently evaluates its power supply portfolio and has increased its commitment to renewable energy from 8% in 2016 to 23.4% in 2023. The BLP has also entered into commitments for three new solar projects slated for construction in 2025, which are anticipated to bring the renewable portfolio to 28%. Additionally, the BLP's energy waste reduction program is cumulatively saving over 10% of annual electric sales per year.



The most recent example is the Calhoun Solar project which came online last spring. The BLP typically works with other municipalities in the region through our joint action agency, to capitalize on collective buying power. The BLP's share equates to approximately 12,000 MW-hr per year—enough to supply about 1,700 homes.

There are drawbacks to over-committing to renewable energy projects. With the unpredictability of weather affecting generation, the current lack of sufficient infrastructure and the upfront costs for both capture and storage, a utility would jeopardize both reliability and affordability with an over-emphasis on sustainability. The technology for renewable energy generation and storage is evolving and improving, so it is important for the BLP to continue evaluating and investing when and where it makes sense, but not at the expense of the other two legs of the stool.

Conclusion

A balanced approach to utility management has proven to be an effective and forward-thinking strategy for the community. The BLP will continue to keep all three legs balanced to effectively serve Grand Haven, the City of Ferrysburg, and the Townships of Grand Haven, Spring Lake, and Robinson that rely on the BLP for their power.



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"We love connecting with our customers! Follow us to stay plugged in on the latest updates and energy-saving tips from your community-powered utility."



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Grand Haven Board of Light & Power
1700 Eaton Drive, Grand Haven, MI 49417
(616) 846-6250 | ghblp.org

PLUGGED IN



A Balanced Approach to Utility Management



April 2024

A Balanced Approach to Utility Management

Reliability

Affordability

Sustainability

The Grand Haven Board of Light and Power's (BLP) philosophy for operating a well-run utility is like crafting a balanced stool. The legs of the stool represent three essential priorities: Reliability, Affordability and Sustainability.



The BLP balances the stool by ensuring that one leg doesn't grow at the expense of the others. This has proven to be effective, as shown by the BLP's Diamond level designation for reliability from the American Public Power Association, the continued stability and affordability of electric rates, and advancements of environmentally sustainable programs.

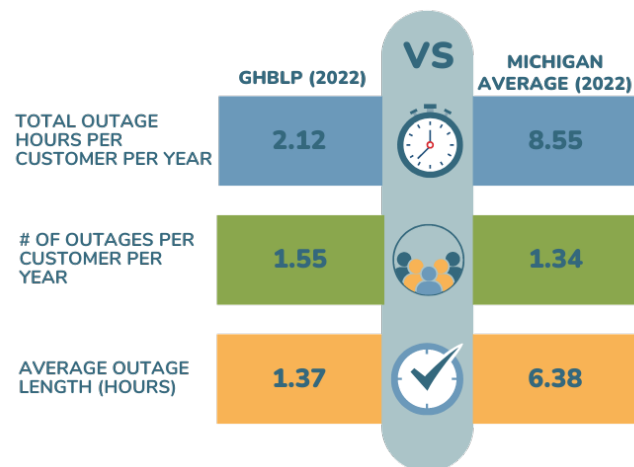
Putting too much emphasis on only one of the three legs unbalances the stool. When properly balanced, each leg equally serves the BLP's mission and the community's expectations for reliable and affordable electric service, while also ensuring the

economic and environmental sustainability of the utility. The following sections outline the importance of maintaining proper balance.

Reliability

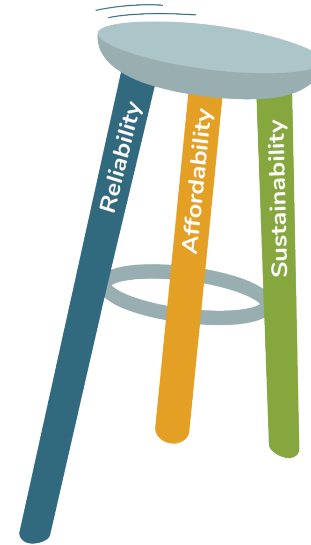
The reliability of the electrical system is a life-sustaining necessity. Economically, businesses can't survive without reliable electric service every day of the year. Homes rely on the grid to provide power either for heating or cooling, especially during the two "extreme" weather seasons of winter and summer. From the substations and distribution lines, the diversification of power supply resources, to proper staffing, the BLP always maintains focus on upholding an award-winning level of reliable electric service.

Three key industry standards are used to evaluate a utility's reliability:



But what happens if reliability is the sole focus? For example, if reliability were all that

mattered, the BLP wouldn't invest in solar or wind power energy which are intermittent resources that rely on specific weather for operation. Moreover, it would over-invest in backup inventory for all of its equipment and would overstaff electrical workers instead of maintaining just-right levels.



This approach would mean that rates would be much higher, as customers, through their energy costs, help to fund the extra equipment, additional salaries and investment in redundant generation resources. A balanced approach means reliability can be reasonably maintained while also considering affordability and sustainability.

Affordability

Everyone wants to pay less for things. With the ever-fluctuating price of power, the BLP works to maintain stable, affordable rates for its customers. Proper financial planning is crucial and accomplished through intelligent, forward-thinking investments, joint action opportunities and support from industry experts. One of the largest financial components is the BLP's power supply portfolio which is strategically structured to take into account:

- Short- and long-term market volatility
- Diversification of energy investments
- Sustainable energy power purchases
- Changing regulations

The BLP's collaboration with Utility Financial Solutions, a national independent utility rates consultant, has resulted in a stable rate structure over the past nine years, while also proactively shoring up the financial strength of the organization so it can maintain the high level of service the BLP's customers have come to expect.

But what happens if affordability is the sole concern? To provide the least expensive power to customers, the BLP would need to make sacrifices. The integrity of the transmission and distribution equipment would suffer. Running a bare-bones crew to save money on payroll would result in compromised service (no more counting on a team to climb a pole at 3 a.m. on a frigid morning to keep critical services intact). As a result, the BLP's reliability would take a hit. Additionally, investments in more costly sustainable power would diminish. These complex transactions rely on joint ventures and production that is dependent on the weather. Result? The commitment to renewable projects would not be the priority they are, all in the service of affordability.

