

## FY2025 Rate Structure & Environmental Surcharge

The Grand Haven Board of Light & Power approved the fiscal year 2025 budget and ratified that base electrical rates will, once again, **continue to remain stable for the upcoming fiscal year.** One of the largest contributing factors to stable electric rates is the implementation of a well-balanced diversified power supply portfolio. The board held three public meetings to review and discuss the budget.

The Board is continuing the environmental surcharge of \$0.0035/kWh to monthly bills to recover legacy environmental costs resulting from combustion coal residuals. HDR, the City's environmental consultant, informed the City Council that the Environmental Protection Agency recently made changes to regulations that may increase the scope of cleanup efforts on the former Sims Site. While it will likely take HDR some time to evaluate the full effects of these rule changes, the Board's approach is to proactively plan for these necessary cleanup costs in a manner that minimizes the impact on customers.

## Understanding Your Energy Rates

### Service Charge

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

### Energy Charge (Kwh Charge)

The average kilowatt-hours (Kwh) used by BLP customers is about 564 Kwh/month. The Energy Charge recovers costs incurred by the BLP that vary with the amount of electricity the customer uses each month. Such costs include power supply expenses and capital improvements.

### Power Supply Cost Adjustment (PSCA)

The PSCA increases or decreases the Energy Charge to recover variations in the actual total power supply costs above or below the base cost.

### Demand Charge

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

Average Residential Bill				
	June 2024		FY 2025	
Service Charge		\$ 15.00		\$ 15.00
Kwh Charge	564 Kwh @ .1144	64.52	564 Kwh @ .1144	64.52
PSCA	564 Kwh @ .007	3.95	564 Kwh @ .0103	5.81
Environmental Remediation Surcharge (effective July 2023)	564 Kwh @ .0035	1.97	564 Kwh @ .0035	1.97
<b>Total Electric Charges</b>		<b>\$ 85.44</b>		<b>\$ 87.30</b>
State Tax 4%		3.42		3.49
<b>Total Charges</b>		<b>\$ 88.86</b>		<b>\$ 90.80</b>

## SENIOR DISCOUNT

The Board of Light & Power has made a five-dollar-a-month discount available to qualified Senior Citizens on residential accounts.

If you qualify call our Customer Service Office at **616-846-6250**.

1

Customers who are 65 years or older, can receive a \$5.00 a month discount!

2

The customer must have the electrical service in their name.



### Your Board of Directors:

Michael Westbrook, Chairperson  
Todd Crum, Vice-Chairperson  
Andrea Hendrick, Director  
Kurt Knoth, Director  
Mike Welling, Director

**Grand Haven Board of Light & Power**  
1700 Eaton Drive, Grand Haven, MI 49417  
616.846.6250 | ghblp.org

# PLUGGED IN



## Fiscal Responsibility

July/August 2024





# Fiscal Responsibility Equals Affordability

In evaluating the effectiveness of the BLP, our community has consistently voiced a high priority on maintaining balance between three main factors:

- **Reliability:** Ability to depend and rely on your power provider for electricity, a basic essential need.
- **Affordability:** Offering cost competitive electric service while also ensuring the long term financial viability of the electric utility.
- **Sustainability:** Managing utility operations in an environmentally responsible manner with an eye towards future needs.



In this issue of Plugged In, we'll demonstrate how operating in a fiscally responsible manner also offers customers long term protection on affordability.

## 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 the utility

follows sound business principles in guiding its operations, making necessary capital investments in electrical infrastructure, and following a prudent financial plan. In return, this allows the BLP to create significant value for the community, and maintain proper financial health of the electric utility, while simultaneously offering customers affordable and cost-competitive electric service.

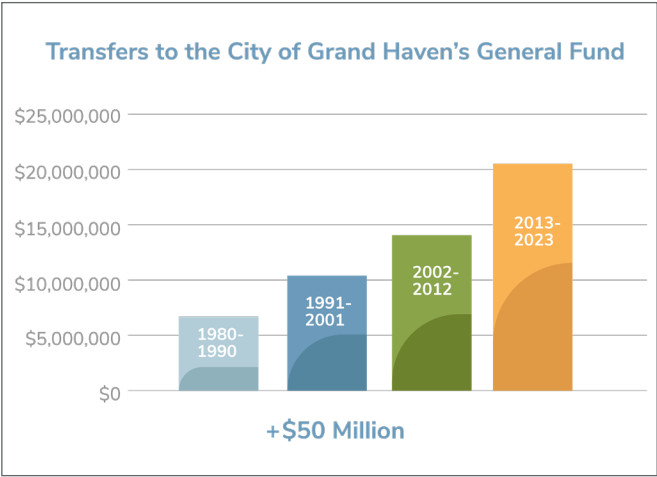
## Taking Financial Responsibility Seriously

As with its intentional approach to power supply planning, the BLP has implemented similar financial planning tools to manage the organization's finances. One example would be the proactive management of the utility workers' pension plan. The most recent actuarial report shows that the BLP pension program is approximately 97% funded, an outstanding metric of financial management. This is in stark contrast to many government organizations that are struggling with these unfunded retiree pension programs.

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. After seven years, these legacy costs are now almost fully funded which means that the BLP's customers are protected from large unfunded liability expenses.

## Providing Value and Increasing Returns to the Community

Municipal electric utilities like the BLP provide their customers with lower rates and tremendous value to the communities that own them by also supplying a significant return on their investment to the City's General Fund. Since implementing its current financial plan nine years ago, the BLP has transferred over \$16.6 million to the city's general fund. Since 1977, the BLP has transferred over \$51.9 million to the city in total, with the largest annual amounts occurring over the past 10 years. In FY2023 alone, the BLP transferred \$1,831,462, making it the single largest contributor to the City of Grand Haven's General Fund.



## 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 the following industry benchmarks commonly used to gauge the financial strength of an electric utility:

Financial Stability Criteria	BLP Results
● <b>Cash Reserves</b> - the funds necessary to ensure uninterrupted service in the face of unexpected events. BLP meets the necessary cash reserve requirements.	✓
● <b>Debt Coverage Ratio</b> - Indicates the margin available to meet current debt service and other fixed obligations. The BLP maintains adequate coverage.	✓
● <b>Age of System</b> - 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.	✓
● <b>Debt to equity ratio percentage</b> - 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.	✓
● <b>Competitive costs</b> - 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.	✓

The BLP has worked diligently in maintaining affordable electric service for our customers while also ensuring the long term financial stability of the electric utility.