



REVIEWING THE RECORD

Presentation to Board of Directors

August 17, 2023

WE'VE BEEN HERE BEFORE, AND THE COMMUNITY CHOSE A VOTER-ELECTED UTILITY BOARD

1

January 20, 1956 – Grand Haven Tribune

J.B. Sims reported “that one of the major dangers of a municipally owned system from the utility’s point of view is that councils have a tendency to use the profits for other city projects.”



2

January 24, 1957 - Grand Haven Tribune

Patrick Harrison asked, Have light and power funds ever been diverted to other city uses here? YES, but not excessively as in some communities where fund-raiding so depleted funds municipal plants could not expand and compete with private utilities.



3

April 7, 1959 - Grand Haven Tribune

New City Charter Passes, 1280 to 553.

Community chose a voter-elected electric utility board.

DISSOLVING A LOCAL GOVERNING BOARD AND PLACING IT UNDER THE CITY COUNCIL WAS TRIED BEFORE.



Grand Haven Tribune: March 28, 1957-The proposed charter provisions as they relate to the Municipal Hospital appear to have caused more concern among certain groups of people than any other phase of the document.

- 1 City Council would be directly responsible for the hospital.
- 2 Council would supervise the administration through its agent, the city manager.
- 3 A hospital director, appointed by and responsible to the city manager would be in charge of the hospital.
- 4 An advisory committee would be appointed to counsel the city manager.

Statement by Dr. Babcock (1957), "A hospital cannot afford to be in politics and with a set up such as proposed in Grand Haven one can almost guarantee that it will happen within a few years."

Sound familiar?

The charter amendment to dissolve the hospital board was overwhelmingly rejected by the voters of Grand Haven.

MISINFORMATION & DISINFORMATION



There has been misinformation put out to the public to convince them that dissolving the Board of Light and Power is a good idea.

Some of the statements made to justify the proposal are verifiably not true.

The Board has a responsibility and obligation to voters and BLP customers to present the facts and ensure adequate and accurate public information is provided before such a proposal is considered by the voters.

The community will ultimately pay the costs, if the Charter change doesn't deliver on its expectations.

FACT CHECKING ONE OF **THE BIGGEST MYTHS:**
BLP INSISTED ON BUILDING A NEW GAS-FIRED POWER PLANT.

MYTH

Charter Change Coalition Webpage Statement:

“With little public input, the BLP insisted on building a new gas-fired power plant...”

FACT




SUPPORT:

The BLP was directed by City Council to build a generating facility to replace Sims

Email from Pat McGinnis, City Manager (10/09/2018):

“We need to keep it simple and stick to ‘we will have local generation’ and ‘we will have snowmelt.’ Not 90%, 100%”



FACT

SUPPORT:

EMAIL FROM SIERRA CLUB (11/2/2018):

“Unfortunately, three City Council members are hindering the closure of Sims. This is their latest boondoggle of trying to micromanage the BLP and also ignoring the will of the people (citizens & businesses) in Grand Haven.”

“Why is the City Council mandating local generation anyway before the assessment from Burns & McDonnell is even presented?”

“All the GHCC needs to do is focus on voting the retirement of the Sims Plant.”

FACT

SUPPORT:

"City Council's earlier resolution stated that if a majority of local energy generation could not be guaranteed by February 2019, steps would be immediately taken to keep the Sims Plant in operation."

"The best paths presented to the public entailed little to no generation, according to BLP General Manager Dave Walters."

"Walters said the utility board requested the city remove the decision from the council's agenda. The council declined."

*"The **city's agenda**, released late last week, included a directive to close the Sims plant by the previously agreed-upon date of June 2020, **but only** if the BLP provides a clear path to generate the majority of the utility's power in Grand Haven.*

That's a proposition at odds with independent findings discussed at the forum."

GRAND HAVEN

City Council takes vote on Sims plant to brink

BY ALEXANDER SINN

asinn@grandhaventribune.com

Taking a major decision on the future of the Sims power plant to the brink Monday, the Grand Haven City Council opted to postpone a vote that would have directed the Board of Light & Power to go against the latest independent recommendations.

The latest in a series of public disagreement between the BLP's board and the City Council took place across two coinciding meetings.

The first of five public forums outlining the BLP's future power generation was held at the Grand Haven Community Center at 6 p.m. Monday, overlapping with the City Council's 7 p.m. meeting. Many in attendance at the forum, including the mayor and several members of council, headed from the Community Center to City Hall for the other meeting while public input was still being gathered.

The city's agenda, released late last week, included a directive to close the Sims plant by the previously agreed-upon date of June 2020, but only if the BLP provides a clear path to generate the majority of the utility's power in Grand Haven. That's a proposition at odds with independent findings discussed at the forum.

FACT

SUPPORT:

**CITY COUNCIL'S EARLY RESOLUTION
REQUIRED THE BOARD TO BUILD A
MUCH LARGER BASELOAD FACILITY.**

**CITY COUNCIL'S FINAL RESOLUTION
DIRECTING THE BLP TO BUILD
REPLACEMENT GENERATION AS A
CONDITION OF CLOSING SIMS**

LETTER FROM BLP CHAIRMAN TO CITY COUNCIL

Board Members:
Jack R. Smant, Chairperson
Larry L. Kieft
John F. Naser
James F. VanderMolen
Gerald A. Witherell

Board of Light and Power
1700 Eaton Drive
Grand Haven, Michigan 49417
616/846-9200
Fax 616/846-3114



General Manager
David R. Walters

August 20, 2018

City Council:

It has been brought to my attention that City Council will be considering a resolution at its work session tonight entitled "Sims Closure Resolution". The resolution as proposed provides "clear written direction" from City Council to the Board of Light and Power regarding certain actions the City Council now finds necessary as a result of the approved closure of the Sims Power Plant by the BLP. It includes developing a plan to provide for (1) a replacement local electrical generation facility of a size "to meet basic needs" of the community "that will (also) efficiently support snowmelt", (2) an alternate energy/heat source for the downtown snowmelt system to be designed and installed "at BLP expense", and (3) remediation of the Sims site. Although the resolution suggests the Board of Light and Power "requested" this direction from City Council, the BLP is actually quite surprised by it.

City council motion 18-312 (from minutes of meeting held November 19, 2018)

Moved by Council Member Fritz, seconded by Council Member Scott, to authorize the decommissioning of the Sim Power Plant, effective in June 2020, conditioned on the commitment by the BLP that by June of 2023, Grand Haven will have the capacity to generate a majority of the local electricity within the service area and that future facilities will include capacity to partner in the support of the snowmelt system. This motion carried unanimously.

FACT CHECKING MYTH #2:

BLP RAISED RATES WITHOUT A PUBLIC HEARING & THE CHARTER AMENDMENT WILL IMPROVE TRANSPARENCY

MYTH

Background:

Steve Miller, collecting signatures for support of the Charter Amendment on May 24, 2023 outside of the Post Office, told a BLP employee that the Board raises rates without public hearings.

MYTH

Background:

Jeffrey Miller (CCC Spokesman) – Letter to the Editor on May 18, 2023, “Currently the BLP can, through a quirk in the system, raise electrical rates without any regulatory or legislative review.”

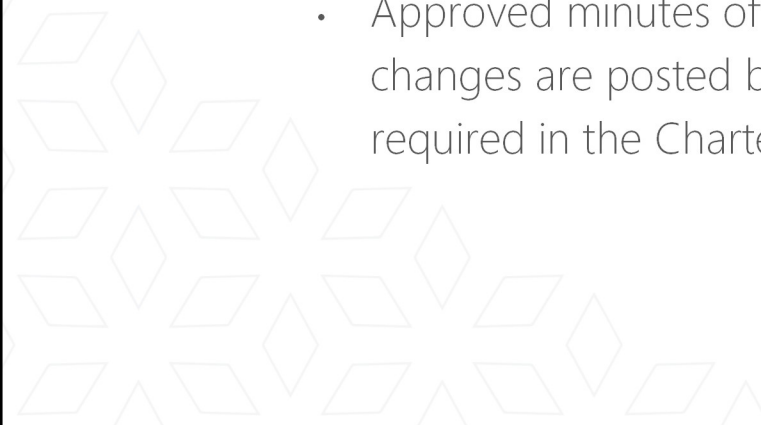
MYTH

Background:

Jeffrey Miller (CCC Spokesman) – Public Comment on July 20, 2023, *"...when I spoke to city council on July 2nd, everyone was surprised to hear about the environmental remediation surcharge which will be assessed on every ratepayers' bill effective in July of 2023. Therein lies what is wrong with the BLP today. Burying the decision in the seventh paragraph in a May news release and typing a very small font type disclaimer on the back of the July issue of Plugged-In is not, in my opinion, being very transparent. Were the charter change to take effect now, not only would the new energy services advisory committee commit and react to the staff recommendation and to the fee, but also a public meeting would have been held and the city council would have also been able to participate."*

FACT



- The Charter requires that the Board conduct its business in an open setting available to the public, as also required by Michigan's Open Meetings Act.
 - The Board held multiple public meetings/hearings, one work session, produced multiple press releases and one customer publication.
 - Approved minutes of all Board meetings are provided to City Council, and all rate changes are posted by the City Clerk 30 days before becoming effective, as required in the Charter
- 

FACT

SUPPORT:

2023 ENVIRONMENTAL SURCHARGE PUBLIC NOTIFICATION PROCESS

- | | | |
|------------------------------|-----------------|-----------------------------------|
| 1. <u>Public Meeting</u> #1: | April 20, 2023 | Board Preliminary Budget Proposal |
| 2. Press Release #1: | April 20, 2023 | |
| 3. Tribune Article #1: | April 22, 2022 | |
| 4. <u>Public Meeting</u> #2: | May 03, 2023 | Board Work Session |
| 5. <u>Public Meeting</u> #3: | May 25, 2023 | Board Meeting: Approval of Budget |
| 6. Press Release #2: | May 25, 2023 | |
| 7. City Clerk Notification: | May 31, 2023 | As required by City Charter |
| 8. Tribune Article #2: | June 01, 2023 | |
| 9. <i>Plugged In</i> : | July 2023 Issue | Note: regular sized font was used |

FACT

SUPPORT:

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.

FY2024 Rate Structure & Environmental Surcharge

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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.

Please note the consistency of the font size

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.

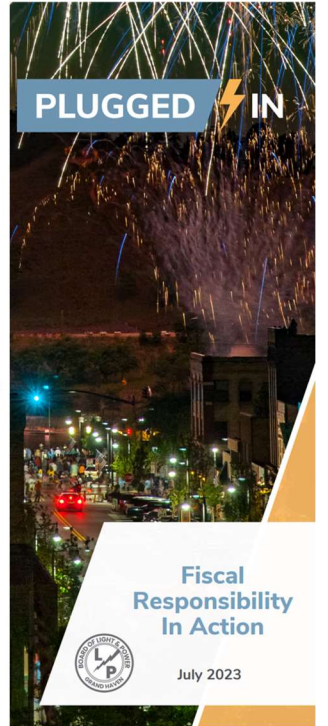


Your Board of Directors:

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

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

PLUGGED IN



Fiscal Responsibility In Action

July 2023



IN CONTRAST TO CITY COUNCIL RAISING TAXES

Quote from Councilman Ryan Cummins during a Council meeting on raising taxes May 5, 2023:

"We didn't include it after the work session. Then **we had a public hearing that did not include a tax increase** and now here we are when we are about to approve it considering a tax increase again. **I have concerns handling it that way from a process standpoint.**"

You can hear his direct comments by clicking on the following link below at the 1:59:00 mark.

[Grand Haven City Council 5-15-23 - YouTube](#)

GRAND HAVEN

City Council raises taxes .5 mills to help cover debts

By JARED LEATZOW
Grand Haven Tribune

Starting July 1, Grand Haven residents will have to pay an additional .5 mills, which will be used to help pay off numerous debts the city owes from its unfunded pension liabilities and the remediation of Harbor Island.

By collecting the additional mills, the city is expected to generate an additional \$350,000 over the next fiscal year, and still have as much as 1 mill still left uncollected that could potentially be used in the future.

According to Councilmember Karen Lowe, the city's unfunded pension liabilities are \$34 million, and the city is looking at Harbor Island remediation costs that could be anywhere between \$40 million to

\$80 million. Last time the pension was 100 percent funded was in 2008, Lowe said. In 2012, the pension was 89 percent funded with only \$8.5 million of debt.

In order to stop the financial bleeding, the city council made the decision last year to switch its retirement plan from a defined benefit plan (pension) to a defined contribution plan (401k).

"We are approximately 63.8 percent funded when we take out all of the BLP (Board of Light & Power) pieces," Lowe said. "Typically, when winding down a pension, the city would have other financial leavers other than millage. ... I don't think those leavers are available to us."

Prior to voting, Lowe encouraged her other council-

members, especially the ones up for re-election this year, to vote yes on the millage increase and to stop "kicking the can down the road." Ryan Cummins, who is one of the members up for re-election, was the only person to vote no to the millage increase.

Councilmember Mike Fritz, who is also up for re-election, was not present. "I told voters three and a half years ago that I would try to find ways to reduce taxes," Cummins said. "I am not going to vote for a tax increase."

Cummins applauded city staff on the balanced budget they presented for City Council's approval. But took issue, he said, with the fact the millage increase was not originally presented as part of the budget in the initial work sessions.

"I think our taxpayers are the last people we should go to for more money," Cummins said. "We've done a tremendous amount of work to increase revenues and cut costs."

One way the city could potentially generate revenue is through paid parking by non-residents – something Cummins said he is a fan of. That option has received mixed opinions from the other councilmembers, and from the residents who attend meetings.

Back in April, Public Safety Director Jeff Hawke estimated the city could conservatively earn around \$3.6 million a year from paid parking.



CUMMINS



LOWE

FACT CHECKING MYTH #3: OF THE APPOINTED BOARDS, MOST ARE ADVISORY

MYTH

Background:

Of the 22 members of the Michigan Public Power Agency in the state of Michigan, Grand Haven BLP is one of only two elected municipal utility boards. Other municipal utilities are either governed by their Council/Commission or by an appointed board. Of the appointed boards, most are advisory. There are many ways for a utility board to be effectively structured, but independent elected boards are not the norm.

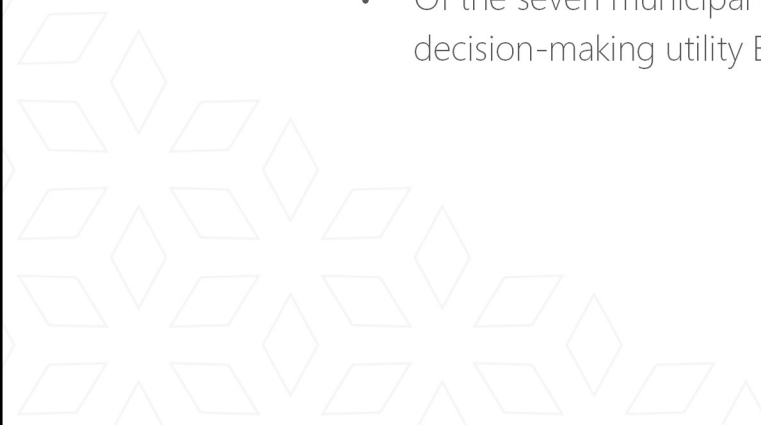
Andrea Hendrick: Chamber Candidate Questionnaire (July 2023)

Many other communities, such as Holland, Lansing and Traverse City do not have separately elected electric utility boards. They all have Council/Commission appointed Boards.

Ryan Cummins: Chamber Candidate Questionnaire (July 2023)

FACT



- Best industry practices are trending away from a city council form of governance and towards a decision-making utility board.
 - The charter amendment does not create an appointed utility Board. It places the utility solely under City Council decision-making.
 - Of the seven municipal electric utilities in Michigan with customers >10,000, all have decision-making utility Boards separate from City Councils, with the exception of Bay City.
- 

FACT

SUPPORT:

- In the 5,000 – 20,000 customer class, in which the Grand Haven Board of Light and Power falls, 38% are governed by a city council and 61% are governed by a utility board.
- It is worth noting that APPA has no record of any community that has transitioned from a utility board form of governance to a city council form of governance.
- To the contrary, we have seen an increased number of communities considering the establishment of a utility board due to the increased complexity of the industry.
- This holds true even for municipal electric utilities that do not own generation.



2451 Crystal Drive
Suite 1000
Arlington, VA 22202-4804
202-467-2900
www.PublicPower.org

August 15, 2023

To: Members of the Grand Haven Board of Light and Power

From: American Public Power Association (APPA)

Re: Public Power Governance Structures

The American Public Power Association is the voice of not-for-profit, community-owned utilities that power 2,000 towns and cities nationwide. We represent public power before the federal government to protect the interests of the more than 49 million people that public power utilities serve, and the 96,000 people they employ. We advocate and advise on electricity policy, technology, trends, training, and operations.

The Grand Haven Board of Light and Power is a member of the American Public Power Association and is the recipient of one of APPA's highest honors – the Reliable Public Power Provider (RPP) designation - recognizing efficient, safe and reliable electric utilities.

We would like to provide a national perspective on some of the questions that were raised at your August 1 Board Work Session regarding the governance structure of public power utilities.

APPA conducts a Governance Survey every five years. Our survey results show that customer size class (the number of customers served) impacts utility governance models. The smallest customer size class is the only one in which a city council governs the majority of utilities. Sixty-seven percent of the respondents with less than 5,000 customers are governed by city councils compared to only 29% of respondents with greater than 50,000 customers. In the 5,000 – 20,000 customer class, in which the Grand Haven Board of Light and Power falls, 38% are governed by a city council and 61% are governed by a utility board.

While utilities the size of Grand Haven Board of Light and Power are far more likely to be governed by an elected or appointed board, in practice, whether one form of governance structure is more effective ultimately comes down to the experience, knowledge, skills, motivation and accountability of the people involved: members of the governing board and the chief executive.

Evaluating the governance structure best suited for excellence should be based on a series of criteria that capture the most important responsibilities and processes the board needs to address. Does the governance structure:

- permit board members to have a singular focus on their fiduciary duties of overseeing the public power utility?
- provide for autonomous decision-making authority of the board that is equal to and commensurate with its responsibilities for governing the utility?
- encourage the greatest degree of independence in board actions, separating political influences as much as practical and permitting the board to focus on business-based reasoning?

- afford members the time and opportunity sufficient to understand the complex policy issues and operating challenges facing a utility in a changing business environment?
- enable members to focus on establishing strategic direction, priorities, outcomes, and goals specific to the needs of customers-owners and utility?
- provide for the financial stability of the utility, including moving quickly to recover costs, if necessary, to protect the utility's creditworthiness and the investments of bondholders?
- make the utility fully accountable to its customers-owners?

It is worth noting that APPA has no record of any community that has transitioned from a utility board form of governance to a city council form of governance. To the contrary, we have seen an increased number of communities considering the establishment of a utility board due to the increased complexity of the industry. This holds true even for municipal electric utilities that do not own generation.

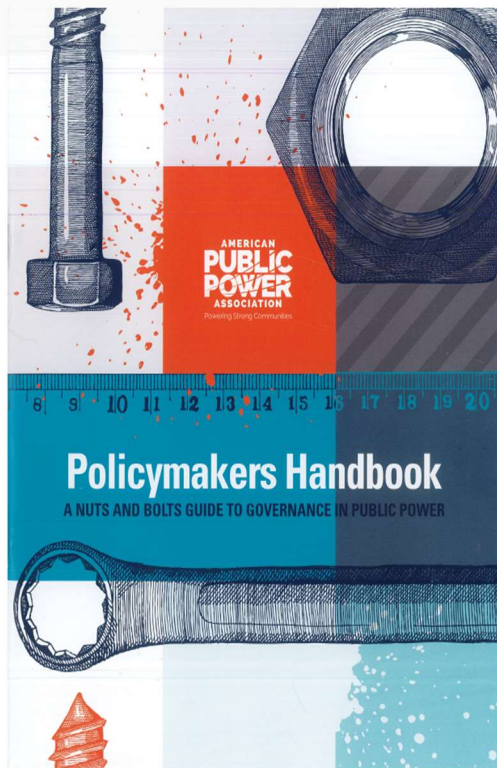
If there is anything else APPA can do to be of assistance, please let me know.

Sincerely,

A handwritten signature in black ink that reads "Ursula Schryver".

Ursula Schryver
Vice President, Strategic Member Engagement & Education

ADVISORY BOARDS



- Utility advisory boards, are appointed to advise the city council on matters related to the utility.
- In theory, this is a great way to provide city councils deeper stakeholder insights into utility operations, by looking to concerned and engaged citizens or customers for input.
- In practice, however, this ideal often falls short.

THE UTILITY ADVISORY BOARD

It can go by many names, but for the most part utility advisory boards, are appointed to advise the city council on matters related to the utility, which could include rate increases, utility policies, operating and capital budget development, or hearing customer complaints. City councils, with responsibilities across the spectrum of municipal operations, may find it difficult to invest the time they would ideally like to address utility issues. The advisory board can take the additional time necessary to understand complex utility issues and then provide recommendations to the city council.

In theory, this is a great way to provide city councils deeper stakeholder insights into utility operations, by looking to concerned and engaged citizens or customers for input. **In practice, however, this ideal often falls short.** Advisory board members in many utilities complain of not being heard or valued. There may be confusion or acrimony among both the city council and the advisory board about roles and responsibilities. Advisory boards are rarely imbued with any authority, so their influence comes primarily from how their communications are with the city council, which in many cases is limited.

FACT

SUPPORT:

- In Michigan, every public power utility with at least 10,000 customers, except for Bay City, is governed by an independent utility board.
- MMEA and MPPA have never witnessed a utility with an independently run utility board transition to a city council model.
- Members without an independent utility board envy those that do and have pursued ways to transition to such a model.
- Utility boards bring a high level of technical expertise to the management of the electric system which, in turn, leads to more efficient and effective decision making.
- If Grand Haven moves from an independent utility model to one of a city council, it would be unprecedented in Michigan and nationally.
- MMEA and MPPA are united in their opposition to a Member, like Grand Haven, terminating an independent utility board.



TO: Grand Haven Board of Light and Power

FROM: The Michigan Municipal Electric Association & Michigan Public Power Agency

DATE: August 15, 2023

RE: Municipal Governance

Last week, the Grand Haven Board of Light and Power asked questions regarding municipal governance structures. The Michigan Municipal Electric Association (MMEA) represents all 40 of the state's municipal electric utilities. The Michigan Public Power Agency (MPPA) provides energy supply services to 22 of the 40, and those 22 make up close to 90% of the municipal electric load in the state. As such, MMEA and MPPA are well positioned to answer the Board's questions about municipal governance in Michigan.

The governance structure of public power utilities, both in Michigan and nationally, generally takes two forms: an independent elected/appointed board or a city council. The type of governance structure largely depends on the size of the customer base. In Michigan, every public power utility with at least 10,000 customers, except for Bay City, is governed by an independent utility board. MMEA and MPPA have never witnessed a utility with an independently run utility board transition to a city council model. In fact, Members without an independent utility board envy those that do and have pursued ways to transition to such a model. This isn't terribly surprising considering the benefits of an independent utility board.

Utility boards bring a high level of technical expertise to the management of the electric system which, in turn, leads to more efficient and effective decision making. Oversight of an electric utility is no small task and brings great responsibility on behalf of the customers served. A utility board can have oversight of budget approval, selecting the chief executive, environmental compliance, establishing compensation structure, and executing major power contracts. Utility boards also have the safety expertise required to oversee a complicated industry. Eliminating the safety expertise from individuals serving on a utility board is foolish and puts lives at risk.

If Grand Haven moves from an independent utility model to one of a city council, it would be unprecedented in Michigan and nationally. It would also remove a vital piece of expertise at the management level. MMEA and MPPA are united in their opposition to a Member, like Grand Haven, terminating an independent utility board.

Sincerely,

Patrick A. Bowland
CEO & General Manager, MPPA

Katie Abraham
Executive Director, MMEA

FACT CHECKING MYTH #4:

THE GOVERNANCE
STRUCTURE NEEDS
TO BE FIXED.

FACT

RESULTS

- Diamond Level recognition from APPA's Reliable Public Power Program.
- Renewable Portfolio has increased from 9% in 2017 to 24% in 2023.
- Energy Optimization and waste reductions savings now cumulatively exceed over 10% of annual electric sales.
- Nearly fully funded BLP utility worker pensions. In contrast, City pensions are \$34,000,000 underfunded (as reported in the Tribune on May 5, 2023).
- \$14 million investments into transmission and substations.
- Improved reliability by obtaining full network integrated transmission service (NITS).
- Moved away from a single fossil fuel fired generating resource to a diversified power supply portfolio saving this community millions of dollars each year.
- Initiated 2 rate decreases in the last 6 years.
- Set aside \$16 million to clean up coal ash contamination from practices of the 1960's and 1970's.
- Consistently high customer satisfaction scores that beat national averages by well over 10%.

MORE TO COME.....



- There is a lot of misinformation being presented to the public.
- The BLP provides an essential service necessary to sustain life.
- Our community relies on us to operate in their best interests both in the critical service we provide and how we manage their municipal electric utility.
- We need to stay out of the politics. However, we have an obligation to make sure the customers we serve are provided the facts when politically motivated people or groups try to sway public opinion with misinformation.