



HOLLAND BOARD OF PUBLIC WORKS

2011 ANNUAL REPORT

LETTER FROM LOREN HOWARD

For many customers, reliable power, water, and wastewater services are something they take for granted. As long as things are running smoothly, few people give them a second thought. But at the Holland Board of Public Works, it's all we think about. We work around the clock to make our services more reliable, more affordable, and more sustainable.

The annual report that follows serves two purposes: The first is to help our stakeholders better understand the utilities they use every day. The second is to highlight the initiatives that the Holland Board of Public Works has undertaken in the past year to that end.

This year, our costs for providing power, water, and wastewater services to the community went up. In the case of electrical generation, the increase in cost was driven by the cost of fuel—both the fuels that we use to generate power, and the transportation of those fuels to the James DeYoung Power Station, the Consumers Energy Campbell 3 plant and the Detroit Edison Belle River plant. In the cases of our water and wastewater utilities, the increase in rates covers the rising cost of operations, as well as the cost of capital improvement projects that keep things running smoothly.

We work hard to control our costs, and even with these rate increases, we're pleased to offer utilities that are competitively priced and well below the national average.

Our utility is at a critical point in its life. In order to continue to meet the needs of our community reliably and affordably, we will have to expand our generating capacity. We're continuing to evaluate the best ways of doing so.

In this area, we've made great strides. This year, we won our lawsuit against the Michigan Department of Natural Resources and Environment (MDNRE), which denied our request for an air permit that would allow the expansion of the James DeYoung plant after being directed by Governor Granholm to consider whether the Holland BPW needed the additional capacity. The Courts overturned the MDNRE's decision, and the HBPW received the air permit after demonstrating it would meet the applicable environmental rules and regulations. Acquiring the permit doesn't mean that we've decided to build that particular generating facility, but it does give our community one more viable option in deciding how we can best meet our increasing energy demands. Expansion downtown isn't our only option. In addition to new generation, we're looking hard at sources of



HOLLAND BOARD OF PUBLIC WORKS

2011 ANNUAL REPORT

alternative energy, such as the installation of a 150 to 200 MW wind farm in Allegan County. We'll continue to engage with the community on every possibility before we move forward.

The Sierra Club has filed suit against the State for issuing the permit. Additionally, the Sierra Club's lawsuit against the Holland Board of Public Works for carrying out routine maintenance and repairs to the James DeYoung generating facility is ongoing. The Holland Board of Public Works is just one of many utilities across the country that the Sierra Club has targeted. While we are very frustrated about the high costs of defending these actions we are confident in the correctness of our decisions and optimistic about the outcomes.

In Fiscal 2011 we completed our risk management analysis with the help of McNearly & Associates. The document examines virtually every possible risk to the Holland Board of Public Works—from catastrophic storms, such as the one we experienced on July 11th, to the loss of a member of our executive board—and defines best practices for mitigating these risks. In the case of that storm, for example, when hurricane-force winds knocked out power for more than 6,000 customers, we had a plan in place, and within 48 hours, 95 percent of customers had had utility services restored.

Also during this year, the HBPW clerical employees found reason to manage their employment relationship with the HBPW directly and not through union representation.

It's been an eventful year. We've taken a number of steps to ensure that our utility stays engaged in the Holland community and at the forefront of the electric, water, waste water and broadband industries in which we work providing reliable and affordable utility services. And in the years to come, we will ensure that same value to the community for which we were established more than 120 years ago will continue.

Loren Howard, HBPW General Manager



HOLLAND BOARD OF PUBLIC WORKS

2011 ANNUAL REPORT

FINANCES: AN OVERVIEW

Total operating expenses for the electric utility increased from \$67.82 million to \$68.52 million in fiscal 2010, while total expenses in the wastewater and water utilities declined from \$7.94 million to \$7.66 million, and \$5.31 million to \$5.27 million, respectively. Metered sales in each of the three utilities declined slightly during the period, while the average number of customers for each of the three remained relatively flat.

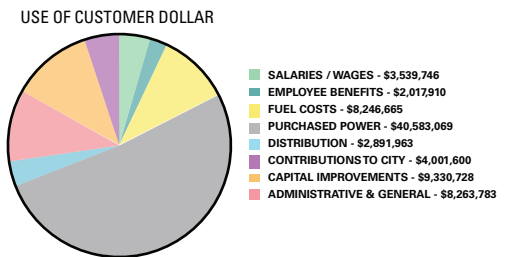
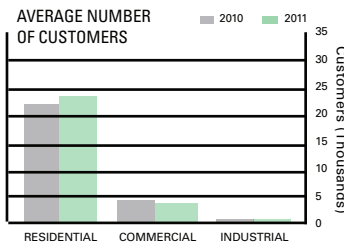
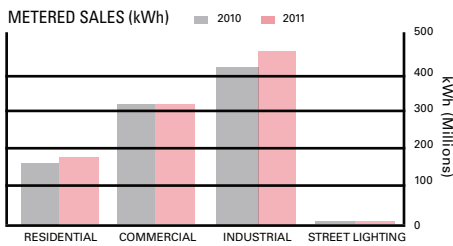
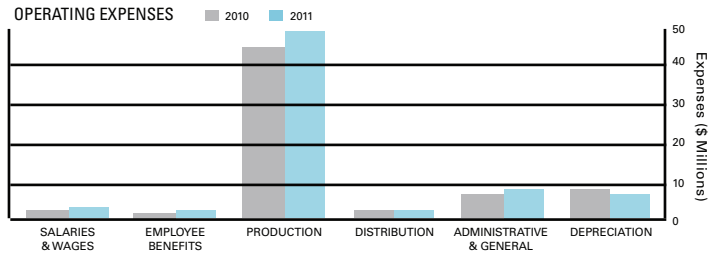
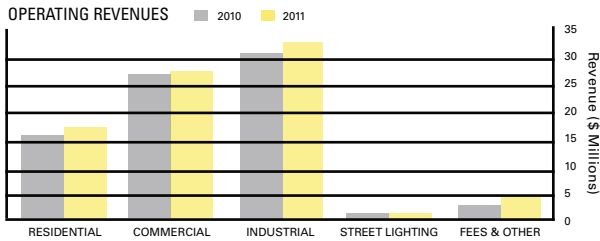
2011 HIGHLIGHTS INCLUDE:

- Approval of a \$500,000 budget to test the viability of a potential 3,000 acre wind farm in Allegan County
- Installation of lighting upgrades and activity sensors to reduce energy use and utility cost throughout our facilities
- \$5.6 million construction project underway to improve operations at and downstream of the wastewater treatment plant
- 2009 Holland BPW online annual report wins American Public Power Association (APPA) national award for best digital annual report
- Implementation of both paperless billing and credit card payments for residential and small commercial customers
- Electric rates that consistently average 15-20% lower than nearby competitors and are lower than the national average
- Water rates that are some of the lowest in Ottawa County and are lower than both the Great Lakes region and national averages.

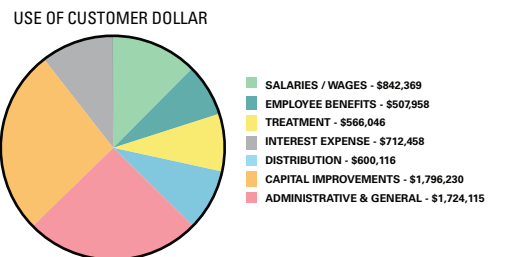
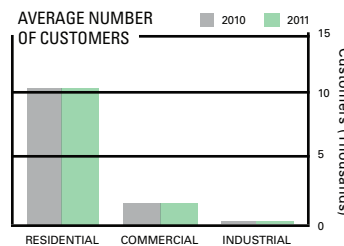
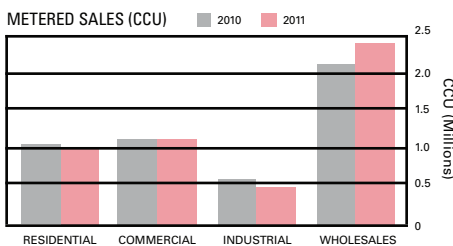
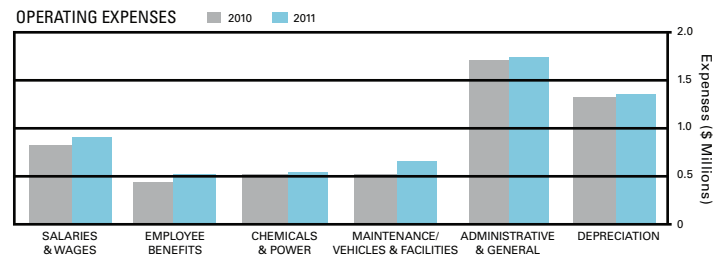
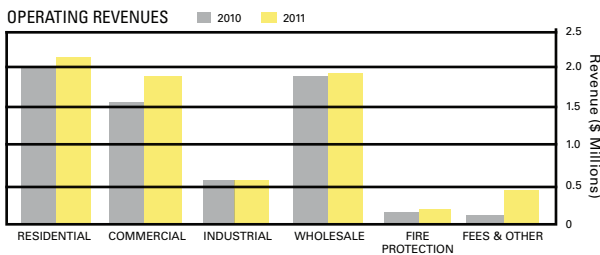


HOLLAND BOARD OF PUBLIC WORKS 2011 ANNUAL REPORT

ELECTRIC



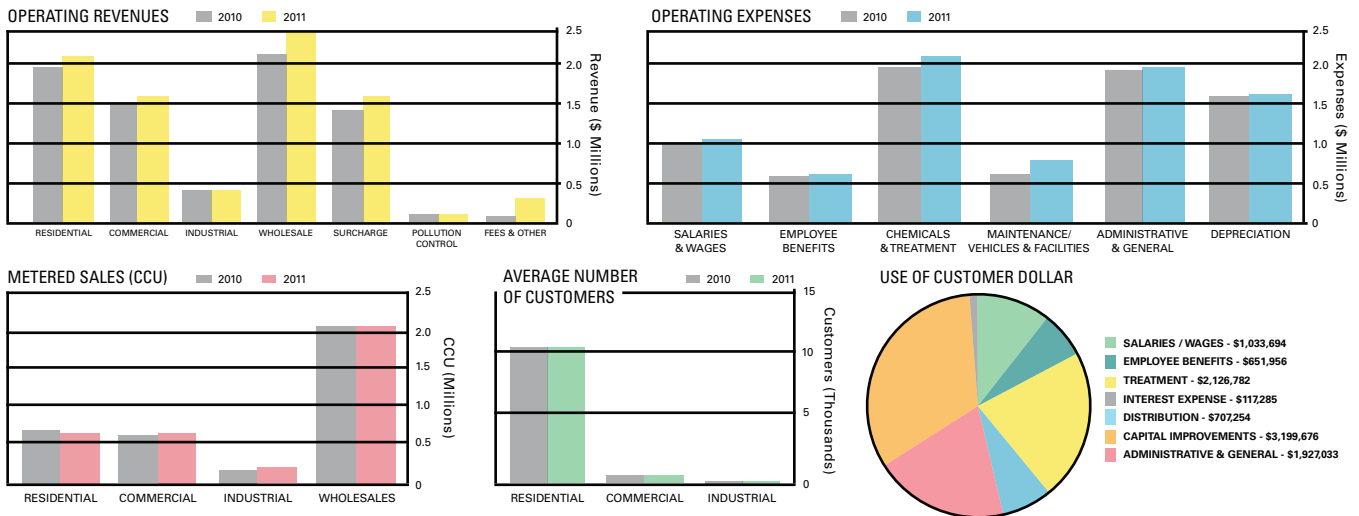
WATER





HOLLAND BOARD OF PUBLIC WORKS 2011 ANNUAL REPORT

WASTEWATER TREATMENT



CONTRIBUTION TO CITY AND EXPENSES BREAKDOWN

