



**COMMITTEE OF THE WHOLE MEETING
AGENDA
July 10, 2018
5:30 P.M. – 1201 S. Washington Ave.
Lansing, MI - REO Town Depot
Board of Water & Light Headquarters**

Call to Order

Roll Call

Public Comments on Agenda Items

1. Committee of the Whole Meeting Minutes of May 15, 2018.....**TAB 1**
2. BWL Futures Trading Authorization Update.....**TAB 2**
3. 2017 Annual Energy Waste Reduction and Renewable Energy Update.....**TAB 3**
4. Return on Equity Request.....**DISCUSSION**

Other

Adjourn

COMMITTEE OF THE WHOLE

Meeting Minutes

May 15, 2018

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, May 15, 2018.

Committee of the Whole Chair Tony Mullen called the meeting to order at 5:30 pm and asked the Corporate Secretary to call the roll.

Present: Commissioners Tony Mullen, Dennis M. Louney, Anthony McCloud, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle and Non-Voting Member: Doug Jester (East Lansing).

Absent: Commissioners Beth Graham, William Long (Delta Township) and Brian Ross (DeWitt Township).

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Price, **Seconded** by Commissioner McCloud, to approve the Committee of the Whole meeting minutes of January 9, 2018.

Action: Motion Carried.

FOIA Policy & Procedures & Resolution

General Counsel Brandie Ekren introduced Paralegal Elissa McDaniels who summarized proposed revisions to the BWL Freedom of Information Act (FOIA) Policy & Procedures. Ms. McDaniels stated that the BWL, as a board, generally address FOIA compliance in its Rules of Administrative Procedure Section 19.4, which is in alignment with City of Lansing, and in accordance with PA 442 of 1976.

After reviewing the current policy and consulting with the Lansing City Attorney and Lansing City Clerk, staff proposed a revised FOIA Policy. This Policy would remain in alignment with the City of Lansing but there would be some operational changes. A summary of changes is outlined below as well as some benefits to the BWL and its Customers.

| City of Lansing Policy | BWL Policy |
|---|---|
| Section 1. FOIA Coordinator = Lansing City Attorney | Updated to reflect BWL General Counsel as FOIA Coordinator |
| Section 2. How to submit request | Modified to BWL contact information |
| Section 9. Appeal goes to the President of City Council | Appeal goes to Chair of the Board of Commissioners |
| I. FOIA Training | Updated to align with BWL training practices |
| II. Receipt/Intake of FOIA Request | Updated to align with current practice of Legal Analyst intake, |

| | |
|--|--|
| III. Requesting record from applicable departments | logging into BWL electronic filing log system Updated to align with actual BWL electronic filing system and provide notice to COL City Attorney in alignment with collaborative efforts with City |
| VI. Law Enforcement references (p. 15) | Struck law enforcement references as inapplicable to BWL (p. 15) |
| VIII. FOIA Payment Intake (p. 15-17) Follows COL's internal deposit slip procedure | Process to BWL Accounting and file copy in BWL electronic filing system under the FOIA log (p. 17) |

Benefits to the BWL and Customers

- Increased clarity for requestors
- Streamlined process for FOIA processing
- Increased efficiency for Appeals process
- Compliance with FOIA timelines & other requirements

Commissioner Mullen and Zerkle presented questions regarding the appeal process and the role of the FOIA Coordinator.

General Counsel Ekren clarified the intent was to follow the statute which denotes that FOIA appeals are directed to the head of the public body, which is the Chair of the Board. General Counsel Ekren further explained that the revised FOIA Policy clarifies that the FOIA Coordinator is the BWL General Counsel as opposed to the "BWL Attorney" as the BWL has several attorneys performing work for the BWL both internally and externally.

Commissioner Ross presented questions and requested clarification about the appeal rights when a fee waiver request was denied, and why we had non-profit discount fee language for one type of non-profit but not all non-profits. After some dialogue it was determined that, in both cases, it was due to the fact that the BWL has not had much experience with waving fees/consideration, staff would obtain background information from the City of Lansing, because the proposed language was taken from the City's template.

General Counsel Ekren concurred with Commissioner Ross' recommendation to modify Section 9 of the policy and procedure document entitled Appeal of an Excessive FOIA Processing Fee to include language that would allow a requestor to appeal the FOIA Coordinator's denial of a fee waiver, or discount request in the same manner they appeal the amount of a fee. The Board directed Legal Counsel to solicit input from the Lansing City Attorney on this requested modification and proposed a subsequent adjustment to the policy and procedures after receipt of the City's data. General Counsel Ekren will also solicit background information from the City on how they consider fee waiver requests and the non-profit discount fee language. In conclusion, although the policy and procedures would be approved at May 22, 2018 Board meeting as presented, it could be amended later to incorporate the proposed modifications to Section 9.

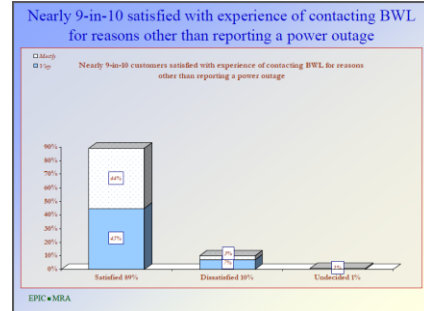
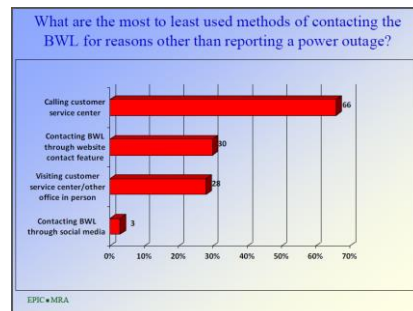
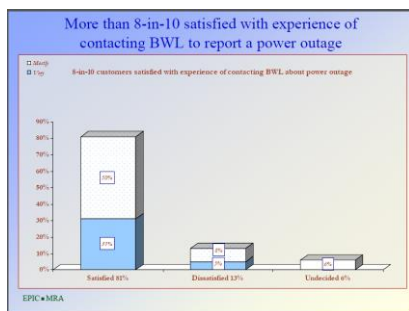
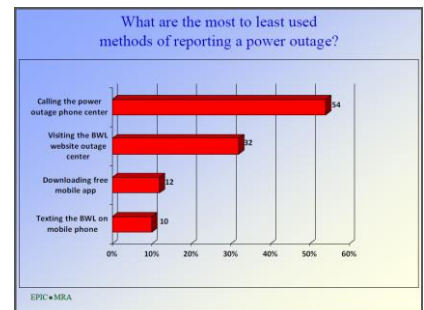
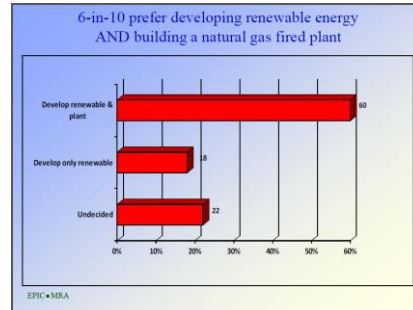
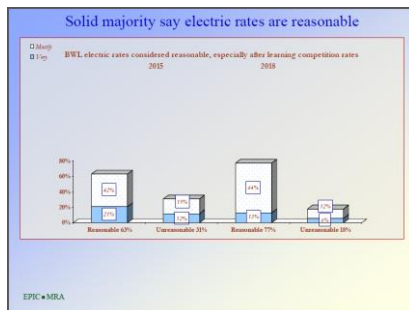
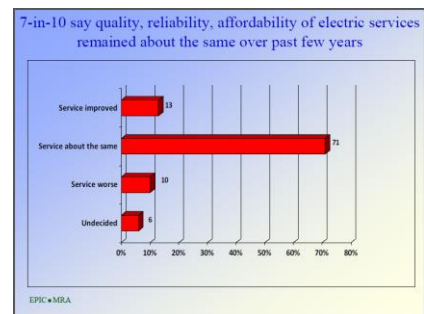
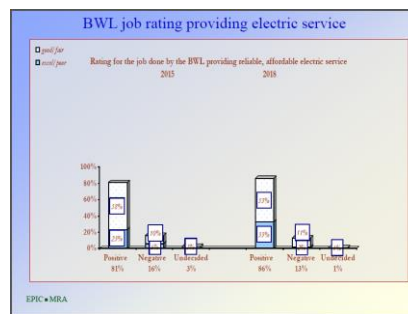
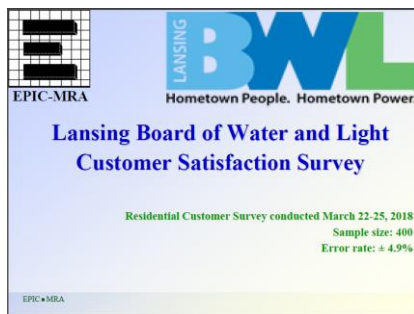
Motion by Commissioner Price, **Seconded** by Commissioner McCloud to forward the FOIA Policy Resolution to the Board for consideration.

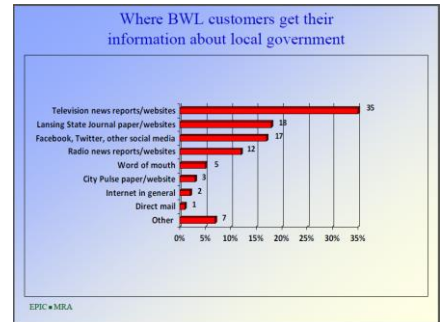
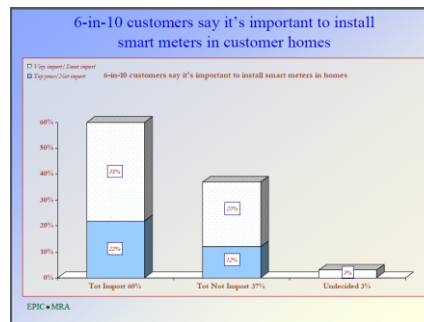
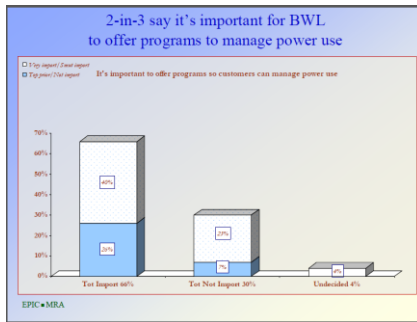
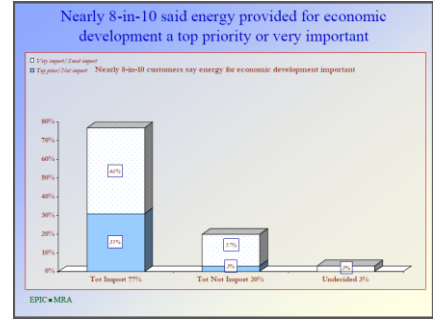
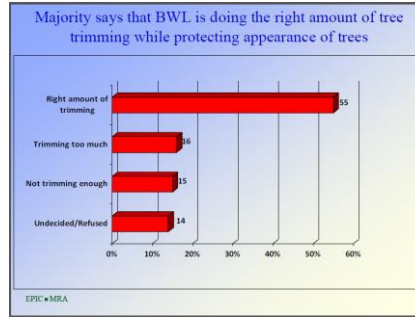
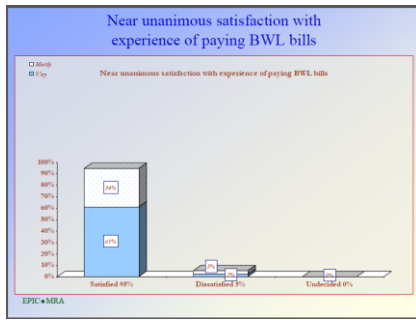
Commissioner Ross requested the right to reserve for amendment pending the outcome of General Counsel Ekren’s findings to his questions.

Action: Motion Carried.

Customer Satisfaction Survey

General Manager Peffley introduced Bernie Porn, President of EPIC-MRA, who reviewed the results of the Customer Satisfaction Survey that was conducted in March 2018 and the comparisons to the some of the survey results from 2015.





Commissioner Zerkle asked if there was a method for reaching and informing customers of the benefits of smart meters. General Manager Peffley responded that since almost half of the housing in Lansing are rental properties and landlords aren't concerned with utility services, as they are not responsible for paying them, the BWL is working on initiatives to inform landlords of the benefits of new heating systems as it relates to tenants. Mr. Porn responded that energy use management programs will be helpful for customers also.

Commissioner Jester asked whether there were any other items that caused fluctuations besides geographic and demographic variations. Mr. Porn responded that family size and income were additional factors.

Commissioner Price inquired about the capital income differential between Delta Township, City of Lansing, and City of East Lansing. Mr. Porn responded that he believes there are significant differences in household income between those areas. General Manager Peffley stated that the survey includes this information.

Commissioner Ross asked if the Board conducts any type of internal customer surveys and if so, whether the numbers align with the results of the presented survey. General Manager Peffley responded that the BWL does not.

Commissioner Zerkle commented that adding a caveat to any published material regarding the survey stating that the BWL will reach out to its customers and provide information on assistance that may be of help to them. General Manager Peffley responded that even though customer approval rating is high, extra steps will be made to acquire higher approval of all customers.

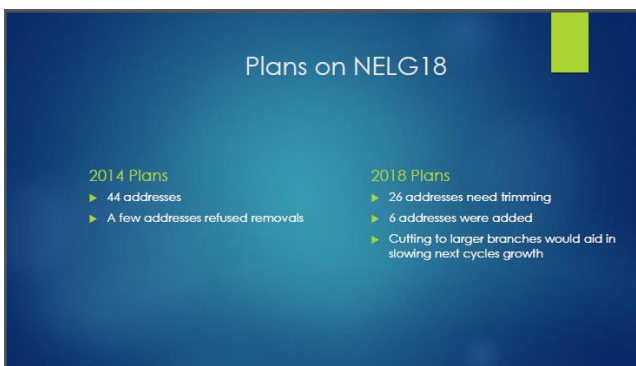
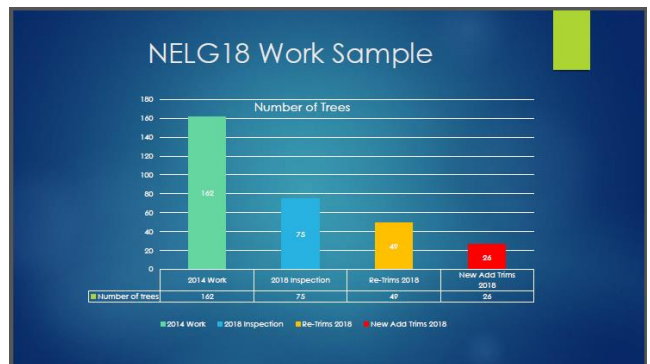
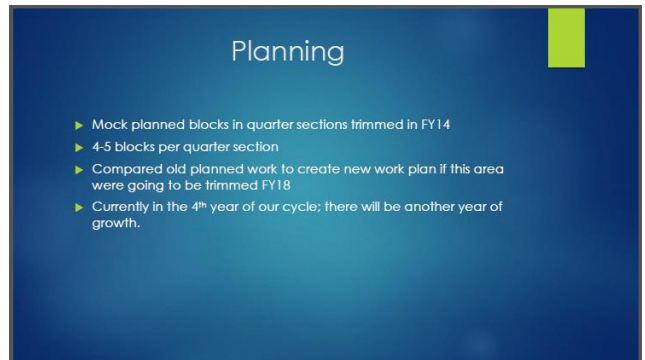
Commissioner Jester congratulated the staff for earning the high customer rating. He commented on the costs for low income customers and requested a change to the way their rates are calculated.

Commissioner Ross asked if smart meters are the way to better ratings and to give the customer control. He also commented that the energy efficiency programs are mostly helpful to larger customers.

Commissioner Mullen asked that the discussion be tabled and held during a Finance Committee meeting. He also suggested that future rate strategies reflect smaller increases made every year according to inflation.

Tree Trimming Presentation

General Manager Peffley highlighted the benefits of the Vegetation Management trimming cycle. He noted that the entire service territory in East Lansing is trimmed according to BWL standards.



Pictures of Re-Growth



Comparison



Conclusion of NELG18

- ▶ Of all the yards walked out, roughly 60% needed trimming on next cycle
- ▶ Of that 60%, most trees seemed to be Maple trees suckering back
- ▶ A few refusals could be removals next cycle
- ▶ Small amount were trimmed before the no-overhang policy
- ▶ Considerable grow back in the 4 years; will still require a fair amount of trimming next cycle.

SWLG21

2014-2018
MOORES RIVER PARK AREA

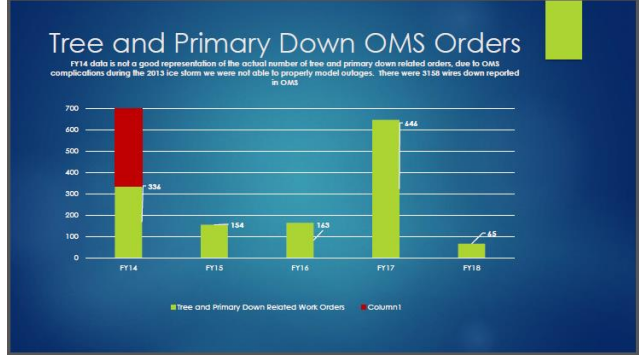
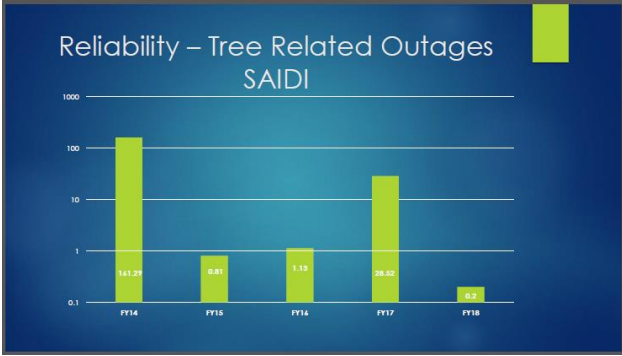
SWLG21 Work Sample



SWLG21

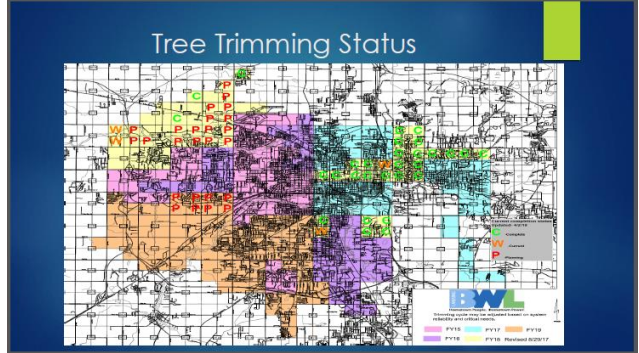
- ▶ Area along the Grand River near Moores River Park
- ▶ Area consists of many mature City trees
- ▶ City doesn't want removals so higher amount of sucker growth
 - ▶ May see increase in removals in rear lines due to re-trimming hard trimmed trees from last cycle
- ▶ Most common trees grown back are Maple or Zelkova that grow like weeds
 - ▶ These are the fastest growing species
- ▶ Most of trees needing trimming are bucket trees
- ▶ Some trees were recommend for removal, however, homeowners opted to keep the trees resulting in many lopped trees that are now dead or sending new shoots towards the lines





Conclusion

- ▶ At least 40-50% of trees trimmed 5 years ago require trimming
- ▶ Mostly Maple trees are sprouting back
- ▶ Amount of trees is far less
- ▶ Workload will decrease after the first cycle is completed
- ▶ Sucker growth will compose the majority of tree trimming in the future cycles, however, some areas will still require extensive trimming.



John Rademacher, BWL Utility Forestry Supervisor assisted General Manager Peffley with providing information on the Tree Trimming agenda item. General Manager Peffley stated that new height appropriate trees are provided to customers as replacement for trees that are cut down. The “Right Tree in the Right Place” program currently in place was paused during budget constraints, resulting in large number of trees needing trimmed.

Commissioner Zerkle commented that customers have the liberty to have arborists complete tree trimming to their specifications, therefore, the BWL would essentially not have significant trimming to perform. She proposed a consideration that the presentation and information at hand be provided to City Council. General Manager Peffley responded that the information is available for them and has offered to make the presentation at the next BWL and City Council joint meeting. Commissioner Zerkle also asked if additional BWL tree trimming teams will be instated, opposed to keeping tree trimming contractors after the current tree trimming program is completed. General Manager Peffley responded that opportunities are being explored.

Commissioner Price asked whether tree trimming practice is done on the drop from the pole to the house and Mr. Rademacher responded that one to two feet are trimmed so that there is a minimal and adequate opening for the power lines.

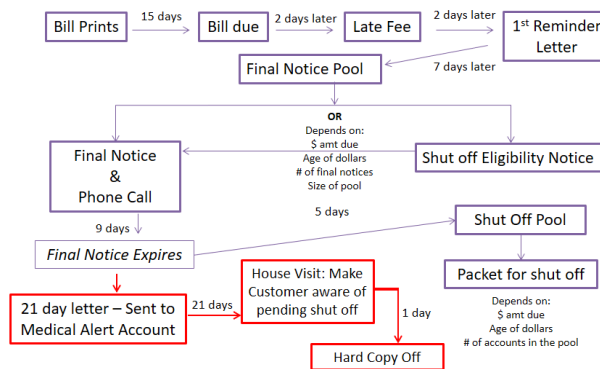
Commissioner Jester inquired about System Average Interruptible Duration Index (SAIDI) and restoration time. General Manager Peffley responded that SAIDI indicates the total customer outage minutes and the advantages of tree trimming. He also stated that the restoration time is a lot quicker when there is only a recently fallen branch or tree to remove.

Collection Practices & Procedures

Commissioner Mullen stated that this item was placed on the agenda to answer some questions that the Mayor’s office is receiving regarding the BWL’s policies and procedures regarding bills and shutoffs when customers get behind on their bills.

Bob Perialas, Customer Service Manager, reviewed the collection cycle as well as the BWL’s practices and procedures. Additionally, Mr. Perialas reviewed items that are done proactively to help customers, such as payment arrangements and energy efficiency recommendations. Mr. Perialas stated that helpful pamphlet, brochures and kits are available for the public.

Collection Cycle



General Manager’s Update

General Manager Peffley spoke about the following items:

1. Sex Trafficking Awareness: news story done by Channel 6
2. Adopt-a-River: 25th year anniversary
3. Building Trades Article
4. WJR Radio Interview on May 17, 2018: How Lansing is innovative on solving the infrastructure problem in Michigan
5. BWL Employee Scott Hamelink spoke on lead service replacement at the Creating Healthy Communities: Get the Lead Out Conference
6. BWL employee Randy Roost will be speaking on lead service line replacement at the Engaging Local Government Leaders Conference in Denver.
7. The 1st S.T.E.P. Graduation is Wednesday, May 16th at 4 pm at the Depot

Other

Commissioner Price commented on the placard that is being provided to Commissioners to place in their vehicles during meetings held at the BWL. He also spoke about the follow-up email that was sent to the Commissioners from the Community Service Commission that oversees the AmeriCorp program in Michigan.

The BWL was selected for a Governor's Service Award for corporate community leadership. The event will be held at the Wharton Center on June 5th and Commissioner Price encouraged attendance. Commissioner Price also said he participated in the Adopt a River event on May 12th and helped with the hand out of trees.

An email was sent to all Commissioners from Internal Auditor Phil Perkins regarding a meeting he had with Commissioner Louney who provided suggestions for potential candidates for apprenticeships and other bargaining positions. Commissioner Price requested that this topic be presented for discussion. Commissioner Mullen responded that the General Manager and his staff are working on filling these positions. Commissioner Louney provided some background on the process and suggested that regular reviews be put in place. Commissioner Zerkle concurred that follow-through is necessary and succession planning needs to be further designed. General Manager Peffley responded to Commissioner Price's comment that part of the BWL's strategic plan is to ensure that the employees currently at the Eckert station have positions at the BWL once Eckert closes, as such, some positions have been held open for that reason.

Adjourn

Motion by Commissioner Price, **Seconded** by Commissioner McCloud to adjourn the meeting.

Meeting adjourned at 7:27 p.m.

Respectfully Submitted
Tony Mullen, Chair
Committee of the Whole

Committee of the Whole

Futures trading update
July 10, 2018



What are futures?

- A **futures contract** is an agreement to buy or sell a commodity in the future for a price agreed upon when the contract is made.
- A **futures option** gives the option holder the right, but not the obligation, to buy or sell in the future at the agreed upon price.
 - If the future commodity price is favorable, the option can be exercised; but if it's not favorable the holder can forgo the option.
- The first traded futures contracts in the U.S. were for corn in the 1800s , and along with wheat and soybeans these three basic agricultural commodities still account for the bulk of trading business at the Chicago Board Of Trade.
- The BWL has relied exclusively on physical purchases until now.

Why Trade Futures?

- The reason the BWL would make a futures contract is to minimize the risk that a commodity such as natural gas will cost a lot more in the future than it does today.
- Similarly, futures options could be used by the BWL to hedge upside risk, but still allow for downside gain.
- Futures contracts can also hedge against fuel volume related risk
- Trading futures will supplement our current risk management program.
- BWL personnel have previous employment experience trading in these markets.



ACTIVITY ON MAY 1 2016

Buy a Dec 2016 call option with \$3.35 strike price
 Net initial premium paid = \$.15

NET STRUCTURE

Maximum cost of \$3.50 (\$3.35 strike + \$.15 net premium)
 Unlimited repricing potential below \$3.35 strike, + \$.15 premium

Note: These examples exclude commission and fees.

December 2016 NYMEX Natural Gas



Cap Example – Dec 2016

- On May 1 2016, a gas buyer determines winter natural gas consumption volume requirements for December 2016 to be 10,000 mmbtu but gas prices too high so he purchases a Dec NG \$3.35 call option @ .15 to protect against an increase in prices
- On November 25/28 2016, the gas buyer exercises the call option (long futures at \$3.35) or lets it expire and sells out any futures position and simultaneously purchases the needed gas in the physical market
- The chart below reflects the buyer's hedge results given a settlement of December prices @ \$4.00 or a settlement of December prices @ \$1.90

| Settlement Price at 4.00 | | | | |
|--------------------------|-----------------------|----------------|----------------------|------|
| DATE | FINANCIAL TRANSACTION | | PHYSICAL TRANSACTION | |
| | BUY | SELL | BUY | SELL |
| MAY 1 | Dec 3.35 call @ .15 | | | |
| NOV 25/28 | Exercise fut @ 3.35 | Dec fut @ 4.00 | Dec phy @ 4.00 | |
| Result | .50 profit | | 4.00 purchase | |

SUMMARY: 4.00 – .50 = 3.50 net cost

| Settlement Price at 1.90 | | | | |
|--------------------------|-----------------------|-------------------|----------------------|------|
| DATE | FINANCIAL TRANSACTION | | PHYSICAL TRANSACTION | |
| | BUY | SELL | BUY | SELL |
| MAY 1 | Dec 3.35 call @ .15 | | | |
| NOV 25/28 | | Dec 3.35 call exp | Dec phy @ 1.90 | |
| Result | .15 Loss | | 1.90 purchase | |

SUMMARY: 1.90 + .15 = 2.05 net cost

Note: These examples exclude commission and fees.

February Call Option

- Purchased a February call at 13 cent premium with a strike price of \$3.50 in November.
- February call was exercised automatically @ \$3.50 and sold at \$3.505 closing price on January 26th.

Futures Purchase for October

- Purchased October future at \$2.952 on September 27th.
- Purchased physical basis only for same volume.
- October future settles at \$2.974. (Physical purchase is at the same price)

Deal Flow thru

- Both deals were done to provide trade flow thru for clearing requirements as well as accounting treatment.

Oversight

- Most purchases or sales will remain physical transactions (not futures)
- All trading activities at the BWL whether physical or thru the use of futures has oversight of the Risk Oversight Committee (ROC). This committee is mainly comprised of the Executive Staff.
- US Commodities Futures Trading Commission (CFTC) provides regulatory oversight.



2017 Energy Optimization and Renewable Energy Annual Update

Committee of the Whole

July 10, 2018



2017 Annual Update of PA 295 & 342

- Public Act 295 of 2008 requires each municipal utility to provide an annual update of its Energy Optimization and Renewable Energy programs to its governing board
- Public Act 342, passed in December 2016, also known as the Clean and Renewable Energy and Energy Waste Reduction Act, amends Act 295
- Each utility must file annual reports to the Michigan Public Service Commission
- Each utility must supply an annual report to its customers; the BWL will supply its report in the August Connections

2017 Energy Optimization Programs

- Services for Low Income Customers
- Residential Programs
 - High Efficiency Lighting
 - Appliance Turn-in & Recycling
 - Multifamily Services
 - Energy Star Products/Equipment
- Business Prescriptive & Custom Incentives
- Energy Education Services
- Pilot programs

Program Highlights

➤ Education in the Community

- Attended 53 local events
- Staff provided 32 presentations to community groups and new homebuyer classes
- Think! Energy (school program with Consumers Energy)

➤ Pilot Programs

- Student Housing Co-ops
 - 15 MSU co-ops participated
- Nonprofit Facility Grant
 - 20 grants (\$88,263) were awarded to 14 organizations
- Michigan Saves Low Interest Financing (with CE)
 - Residential - 0% interest for \$1,000-\$30,000 loans for up to 4 years
 - 41 participants
 - Commercial - 0% interest for \$100,000 loans for up to 3 years

Million Kilowatt Hour Club

| New Members for 2017 | |
|-----------------------|------------------|
| City of East Lansing | 1.29 Million kWh |
| Auto Owners Insurance | 1.2 Million kWh |
| Meijer | 1.6 Million kWh |
| Boji Tower | 1.5 Million kWh |
| McLaren Health Care | 1.9 Million kWh |

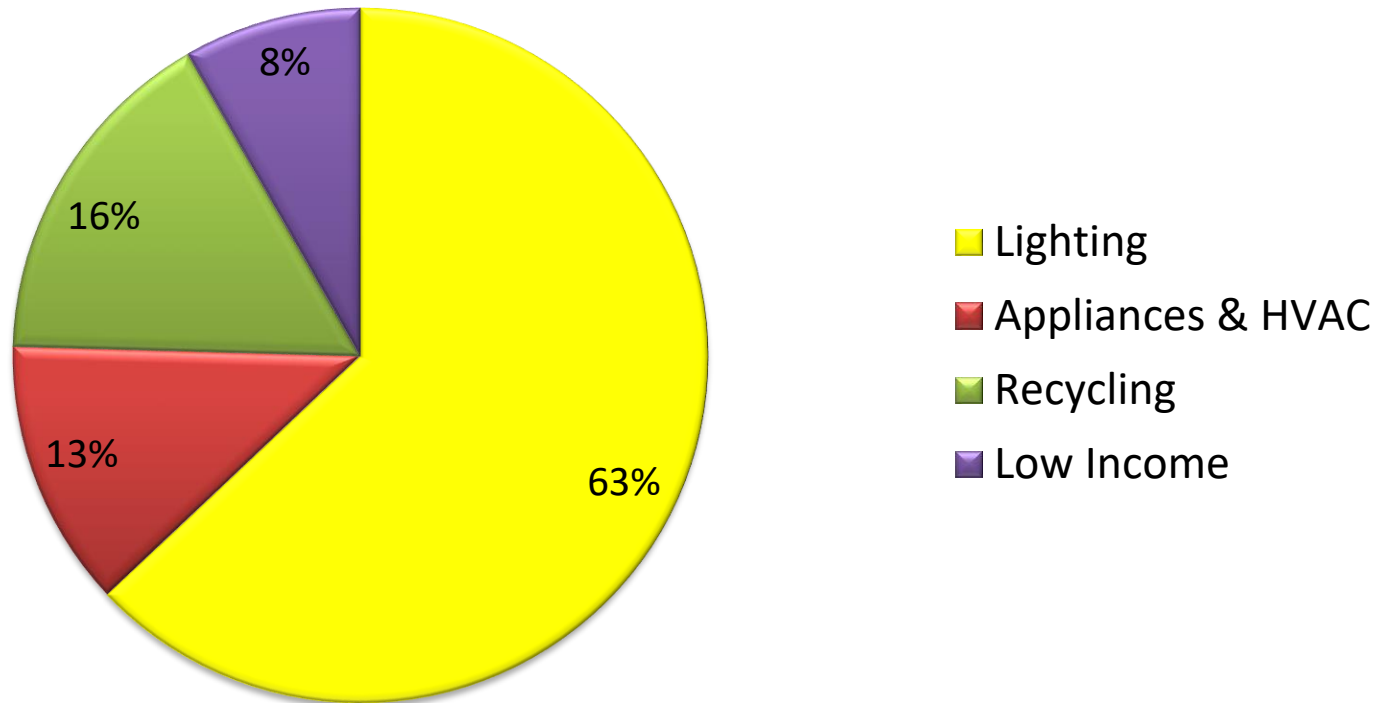
| <i>Previous Members</i> | |
|-------------------------|-------------------------|
| General Motors | Quality Dairy |
| Ashley/Ryder | Demmer Properties LLC |
| State of Michigan DTMB | Lansing School District |
| Peckham Vocational Ind. | General Motors |
| Sparrow Hospital | WMU Cooley Law School |
| Board of Water & Light | Ashley Capital |
| Jackson National Life | |

Energy Optimization Summary

| Program Portfolio | 2017 Goals | | 2017 Actual | |
|-------------------------|------------------------------|---------------------|------------------------------|---------------------|
| | Gross First Year kWh Savings | Program Budget | Gross First Year kWh Savings | Program Budget |
| Low Income Services | 424,664 | \$ 205,000 | 520,724 | \$ 202,402 |
| Residential Programs | 5,610,103 | \$ 1,217,819 | 7,667,711 | \$ 1,265,408 |
| Business Services | 16,158,984 | \$ 2,210,690 | 19,225,991 | \$ 2,245,441 |
| Total Program Portfolio | 22,193,751 | \$ 3,633,509 | 27,414,426 | \$ 3,713,251 |
| Program Administration | | \$ 320,000 | | \$ 330,017 |
| Evaluation (EM&V) | | \$ 210,000 | | \$ 149,989 |
| ANNUAL TOTALS | 22,193,751 | \$ 4,163,509 | 27,414,426 | \$ 4,193,257 |

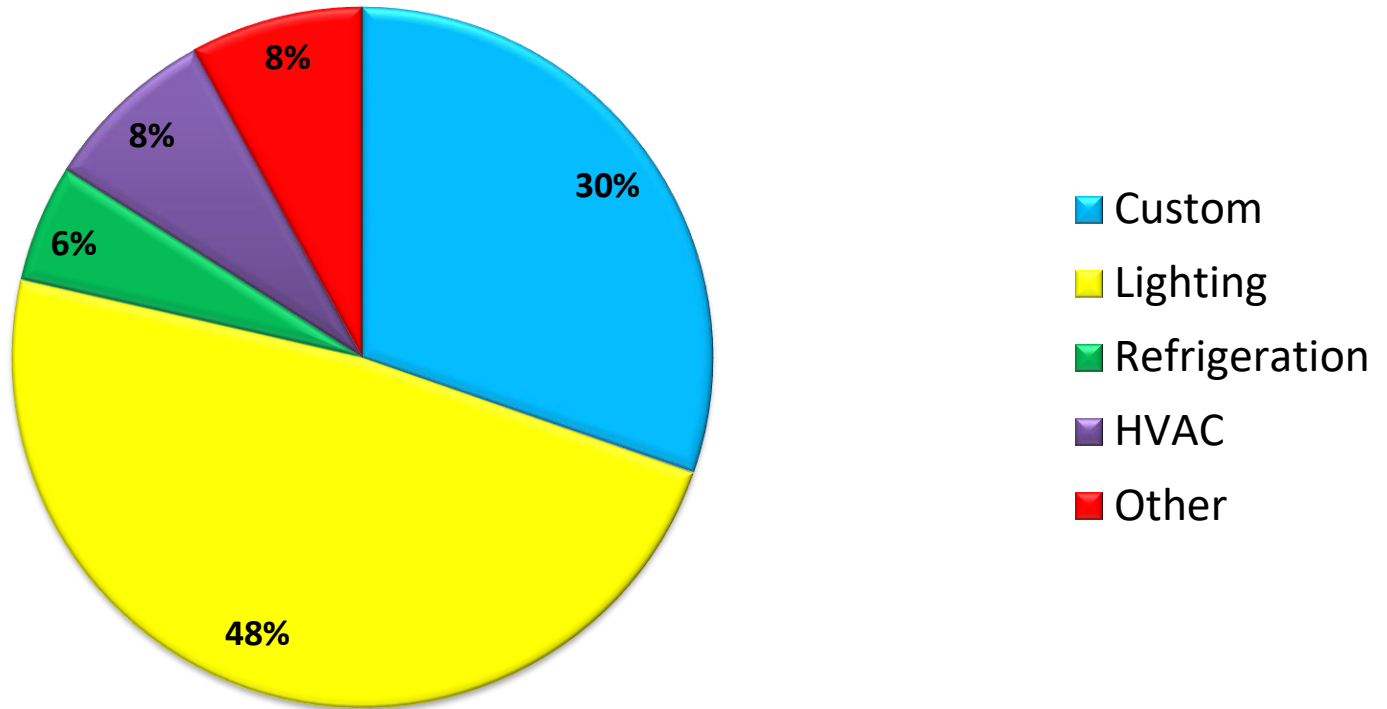
Residential Summary 2009-2017

Residential and Low Income Kilowatt Savings



Business Summary 2009-2017

Kilowatt Hour Savings

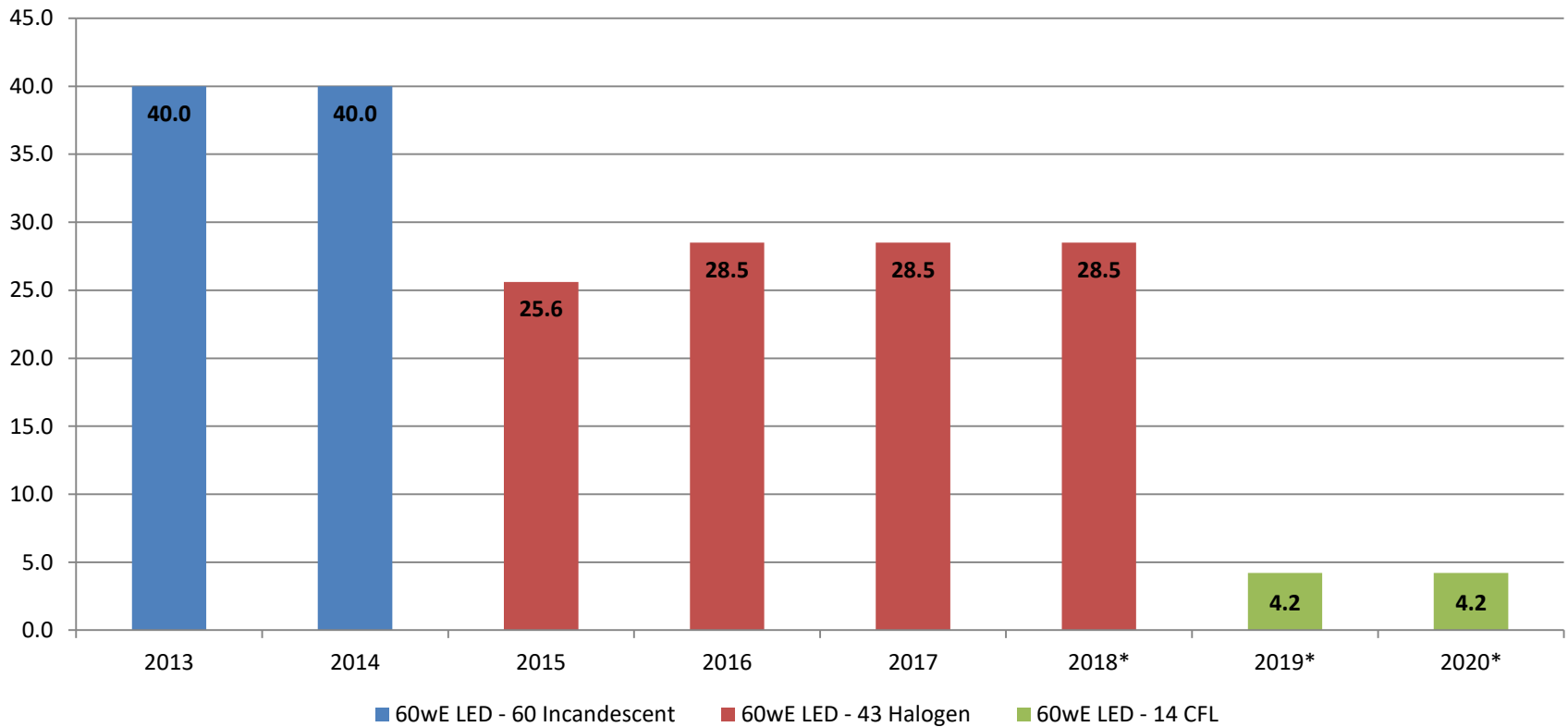


Lighting Changes & Challenges

- Linear LEDs have become the standard for commercial and small business customers
- LEDs are a residential favorite with many specialty bulb choices now on the market
- Beginning in 2019, high efficiency lighting will be the standard so the program will no longer achieve the previous level of savings.

MEMD Savings Reductions

60w Equivalent LED
kWh Savings per Unit



2018-2020

Energy Waste Reduction Plan

- Budget & kWh goals revisions for 2019 & 2020
 - Reducing Residential lighting
 - Increasing other Residential programs
 - Increasing Business programs
- Low Income Programs increased budget by \$150,000 for the 3 years

Low Income 2017

- 300 Hometown Help energy assessments
 - Install LED bulbs (avg. 26 per home), water savers
 - Behavioral (energy use) guidance
- 5 Multifamily properties
- 11,433 items installed or distributed
 - 7,725 high efficiency products (LEDs, water savers)
 - 1,854 energy kits (one LED bulb and nightlight)
 - 194 appliances replaced and recycled
 - 89 Refrigerators, 71 Room Air Conditioners, 6 Dehumidifiers, 28 Dishwashers
 - Free for customer owned or 25% landlord copay

Low Income 2017 cont.

➤ Landlord Co-Pay

- 110 appliances with 25% of the cost paid by landlords

➤ Community Partners include:

- City of Lansing
- Capital Area Community Services
- Capital Area Housing Partnership
- Cristo Rey Community Center
- Habitat for Humanity Capital Region Rock the Block!
- Lansing Housing Commission
- Peckham Industries
- Tri County Office on Aging
- And many more nonprofit organizations that serve low income populations

Low Income 2017 cont.

*“I think it is a very helpful
program for low income families”*

- L. Marsh, customer

*“Very good customer service!
Friendly and compassionate. Thank you!”*

- A. Bennett, customer

Renewable Energy 2017 Results

- PA 342 requires all utilities have 12.5% renewables in 2019 and 15% in 2021
- The BWL is in compliance with both renewable energy generation and its inventory of RECs
- With planned developments and the ability to carry-forward renewable energy credits, the BWL will not need any additional renewable energy to meet compliance with PA 342

2017 Updates

- Delta Solar (groSolar) online with 24 MW of installed solar capacity
- Community Solar Park in East Lansing
 - Planned 330 kW of installed capacity
 - Currently leasing panels at \$399 each for 25 years
 - Website: <https://micommunitysolar.org/>
 - Recently transferred to new developer; expect to be operational by August 2018
- The Net Metering Solar program update
 - 3 new residential customers and 1 commercial customer installed solar
 - 13 residential and 4 business customers participating
 - Total Net Metering Capacity is 98.75 kW

Current Renewable Energy Portfolio

➤ Purchase Energy and RECs

- Granger landfill gas – 11.2 MW
- Tower Kleber Hydro – 2.2 MW
- Exelon Wind in Gratiot County – 19.2 MW
- Delta Solar – 24 MW

➤ BWL Owned

- Solar (Cedar Street and REO Office Bldg.) 165 KW
- Hydro (currently not operating- under review)

Planned Projects

➤ Solar

- 20 – 30 MW additional solar in conjunction with MPPA
- 5 – 10 MW additional BWL owned solar in various locations around Lansing

➤ Wind

- Pegasus Wind project for 89 MW; expect construction to begin summer 2018

➤ Goal

- Achieve 20% renewable goal in 2020

Renewable Energy Challenges

- Community Acceptance
- Generation Dispatchability
- Storage Limitations

Thank you.

Questions?

