

MINUTES OF THE BOARD OF COMMISSIONERS' RESCHEDULED MEETING

LANSING BOARD OF WATER AND LIGHT

Tuesday, December 1, 2009

The Board of Commissioners met in the Boardroom of the Administrative Offices, 1232 Haco Drive, Lansing, Michigan.

Present: Commissioners Margaret Bossenbery, Tony DeLuca, Peter Kramer, Frank Lain, Dennis Louney, Marilyn Plummer and Sandra Zerkle.

Absent: Tracy Thomas

Chairperson Zerkle called the meeting to order at 5:30 p.m.

The Corporate Secretary declared a quorum present.

Commissioner Louney lead the Pledge of Allegiance.

Motion by Commissioner Lain, seconded by Commissioner Kramer to amend the Agenda to included a late item Committee Report from today's Finance Committee Meeting.

Action: **Carried unanimously.**

APPROVAL OF MINUTES

Motion by Commissioner Plummer, seconded by Commissioner Bossenbery to approve the minutes of the Regular Board Meeting of September 22, 2009.

Action: Carried unanimously.

PUBLIC COMMENTS

MEMBERS OF THE PUBLIC ARE WELCOME TO SPEAK TO THE BOARD ON ANY AGENDA SUBJECT. ANYONE WISHING TO COMMENT ON ANY MATTER NOT ON THE AGENDA MAY DO SO IMMEDIATELY PRIOR TO ADJOURNMENT.

There were no public comments.

COMMUNICATIONS

- a. Thank you note from Beverly Bishop

Received and Placed on File

COMMITTEE REPORTS

**BOARD OF WATER & LIGHT
COMMITTEE OF THE WHOLE
October 6, 2009**

The Committee of the Whole of the Lansing Board of Water and Light met at the Executive Offices, Lansing beginning at 5:30 p.m. on Tuesday, October 6, 2009.

Committee of the Whole Chair Frank Lain called the Committee of the Whole meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Margaret Bossenbery, Tony DeLuca, Frank Lain, Dennis Louney, Marilyn Plummer, Tracy Thomas and Sandra Zerkle (arrived at 5:36 p.m.).

Absent: None.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner DeLuca, seconded by Commissioner Bossenbery to approve the Committee of the Whole meeting minutes of September 8, 2009.

Action: Carried unanimously.

Safety Equipment Fashion Show

General Manager J. Peter Lark stated that at the BWL, safety is taken very seriously and thought it would be nice to share some of the items that are used for employee's safety. Mr. Lark stated that this was the idea of Administrative Assistant Sue Ramsey and that Secretary Rosemary Sullivan assisted her. Larry Shields of Electric Delivery Services was the moderator the BWL Safety Fashion Show. The models for the Fashion Show included: Dan Barnes, Ritch Lewis, Marilyn Montgomery, Juan Ortiz, Teresa Revilla, Carol Scott and Linda Taylor.

New Source Review

General Manager J. Peter Lark presented information regarding the New Source Review (NSR). The NSR is a program that is part of the Clean Air Act Amendments and is enforced by the United States Environmental Protection Agency (EPA). Mr. Lark stated that when there are new plans for major modifications to old utility plants there are certain standards that have to be met emissions wise. The Board of Water & Light's (BWL) older utility plants are grandfathered in because they predate the EPA NSR and only routine maintenance is undertaken at those plants. In the 1980's the EPA started looking closer at older plants to determine if any modifications were routine or not. Mr. Lark stated that the EPA began their reviews with the larger companies like Detroit Edison and Consumers and there have been actions sanctioned by the

EPA against Detroit Edison. The NSR just completed their work with Consumer Energy that they started about nine years ago and now that they are done with the larger companies, they are starting with the municipal utilities.

Mr. Lark stated that the BWL has received a Section 114 Letter from the EPA which means that information has to be turned over to them as to what has been going on with the utility plants over the time period they are looking at. The BWL has turned over 17 boxes of information.

George Stojic, Director of Strategic Planning & Development stated that there is a lot of confusion out there as to what amounts to maintenance and repair. This process takes an enormous amount of time and he does not expect to hear anything back for a long time. He stated that over the last 25 years EPA's investigation pursuit depends upon who is in Washington and with the Obama Administration it is pretty vigorous.

Mr. Lark gave some examples of possible actions the EPA could take and said the BWL is preparing for situations that may come up

Vice Chair Lain stated that the NSR is nothing new and the EPA may or may not find something but Mr. Lark thought it advisable to present the Board with worse case scenarios. He stated that this is a very important matter but there is not a problem right now.

Shut-Off Rules

General Manager Lark introduced Bob Perialas, Manager of Customer Service who provided an update on the Board of Water & Light's Winter Shut Off Protection Rules. Printed below is the PowerPoint presentation that was reviewed by Mr. Perialas and included in the Committee of the Whole packet.

Customer Service Update
Winter Shut Off Protection Rules

Bob Perialas
Manager, Customer Service
October 6, 2009

Michigan Municipal Electric Association Shut Off Rules

- MMEA has developed Shut Off Rules
 - MMEA created a Shut-Off Protection Workgroup, chaired by J. Peter Lark, to develop rules to protect "At Risk" Customers.
 - New rules effective Nov 1, 2009
 - MMEA Rules mirrors proposed legislation
- Reason for new rules: 93-year-old man in Bay City died as a result of an electric shut off/use of an electric meter limiter last winter.

- BWL billing programming would not have allowed the shut off to occur on our system if he was flagged as a senior.

Rules Summarized

- Implementing safeguards to protect “at risk” customers from electric shut offs
 - Seniors (3,500 currently flagged)
 - Certified Medical Conditions
 - Military Families
 - Low Income Families
- Increase Winter Protection Season
 - November 1 – March 31 (added November)
- Prohibit use of Electric Limiters
 - BWL currently complies
- Ensuring notices contain important information prior to shut off
 - BWL currently complies
- Ensure we pass on information to prevent shut offs, such as the number to 2-1-1
 - BWL currently complies
- Detailing, when shut offs do occur, the steps to restore power
 - New Door Hangers have been developed
- Permit low-income customers to set up a payment plan to prevent shut off
 - We currently make payment arrangements for all of our customers. Low income specifics are being developed.
- Provide shut off protection for customers with certified medical conditions
 - BWL currently complies
- Make efforts to allow senior citizens to identify themselves
 - Notices will be printed on the bill, website enrollment, article in November Connections.
- Attempt to contact known seniors after a shut off does occur
 - Phone calls will be placed
 - Personal visits will also be available
- Allow customers to name a third party to receive bills and notices in addition to themselves
 - BWL currently complies: Our customers can name up to 7 additional people and addresses.

Mr. Perialas stated that next months edition of “Connections” contains information regarding Winter Shut Off Protection. The Board of Commissioner were provided a “Notice of Service Interruption” Door Hanger that will be distributed to customer that are being shut off for non-pay. This Door Hanger provides contact information to the customers as well as the requirements for restoration; The Door Hanger also informs customers of the availability the 2-1-1 system.

BWL’s 125th Anniversary

Mr. Lark spoke about the 125th Anniversary of the Board of Water & Light (BWL). The BWL has formed a committee to organize the celebration of the 125 Anniversary and it is chaired by Mark Nixon, Director of Communications.

Mr. Nixon displayed for the Board of Commissioners a copy of the new edition of the "Pipeline". He reviewed some of the history of the Board of Water & Light and stated that the BWL was here twenty-five years after the City was incorporated and that was very special.

Mr. Nixon stated that the Committee really would like for the celebration to be special. He said that General Manager Lark re-instated the BWL picnic and in 2010 there are plans to invite the retirees as part of the celebration. Some of the other ideas that the Committee has come up with to celebrate the 125th Anniversary include: an open house in the Board Room, a contest to select a BWL flavored ice cream, show customers the new holiday video, opportunity for Mr. Lark to make a few remarks and to meet customers. Other ideas include starting an Employee of the Year award with the first being announced at the 2010 Holiday party and to have Silver Bells themed with the 125 year Anniversary.

The 125th Anniversary Committee includes the following members: Beverly Bishop, Bill Maier, Chris Thompson, Gennie Eva, Honey Bentley, Jeff Schwarz, Jerry Mills, John Rossi, Juan Ortiz, Justin Bowman, Leslie Grannell, Linda Voorhees, Lori Pung, Orlando Smith, Randy Sinko, Rebecca Rostar, Roger Adsit, Rosemary Sullivan, Shellie Starkey, Sherry Markey, Steve Smith, Sue Warren, Tansay Carter, Tracy Tolbert, Wendy Sorek.

2010 Proposed Board Meeting Schedule

Motion by Commissioner DeLuca , seconded by Commissioner Zerkle to forward proposed 2010 Board Meeting Schedule to the Board for approval.

Action: Carried unanimously.

Other

General Manager Lark stated that he has been working with a lobbyist from Washington, D.C. trying to acquire stimulus funds from the Federal Government. He said there are a couple of things in the works and one of the things that they have worked on is a request for hybrid vehicle money and charging stations. He said this request looks very positive and the BWL may be receiving \$750,000 for hybrid vehicles and charging stations. Mr. Lark stated that there is nothing in the way of this happening except President Obama's signature.

General Manager Lark introduced and congratulated Susan Devon who was promoted to the Assistant General Manager, M. Denise Griffin who was promoted to Corporate Secretary and Bruce Cook who was promoted to Director of Safety. He invited the Commissioners to a reception to celebrate their promotions at 4:00 p.m. tomorrow.

With there being no further business the meeting adjourned at 6:40 p.m.

Respectfully submitted
Frank Lain, Chair
Committee of the Whole

**FINANCE COMMITTEE
November 10, 2009**

The Finance Committee of the Lansing Board of Water and Light met at the Executive Offices, Lansing beginning at 4:00 p.m. on Tuesday, November 10, 2009.

Finance Committee Chairperson Peter Kramer called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Peter Kramer, Frank Lain and Dennis Louney. Other Board Members present include: Commissioners DeLuca and Zerkle.

Absent: Commissioner Margaret Bossenbery

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Louney, seconded by Commissioner Lain to approve the Finance Committee meeting minutes of September 8, 2009.

Action: Carried unanimously.

Quarterly Financial Update and Rate Recommendations

General Manager J. Peter Lark stated that this is a quarterly Financial Update Report with a Rate Increase recommendation attached to it.

General Manager Lark stated that basically the quarterly financial update reveals that our sales are significantly less than what we expected them to be. As a result of that we are now projecting that our net income will be a negative \$13 million for 2010.

General Manager Lark reviewed the financial documents included in the packet. (Attachment on file in the Office of the Corporate Secretary) He said the first quarter was not as stellar as he hoped it would be and that is usually our big money making quarter. He stated that we have to make up a lot of ground and noted that the difference between Consumers Energy's rates and the Board of Water & Light's rates are significant (27-31% higher than ours).

General Manager Lark stated that we have a continually shortfall of revenue that we need to address. Over time rates need to generate the Commission approved 6.18% return on assets in order to meet our current and future financial requirements. Also another contributor to the shortfall is that the Board of Water & Light is putting \$15 million into the VEBA and DB Plan whereas in prior years we put in less and that was due to the stock market plunge.

General Manager Lark said that we need raise rates by at least 5.6% strictly to recover the funds needed to pay for the governors and the legislator's mandated Renewable Energy Program (REP) and Energy Optimization (EO) programs. This does not help our own financial condition in any way and all that money will have to be earmarked and used for renewables which we are doing now with energy optimization.

General Manager Lark said that he is hoping to take care of the electric short fall with additional sales next year and by raising the service charge. He said that raising the service charge puts the Board of Water & Light more in the mainstream of what utilities are doing as far as utility charges go. The other area where rates would be raised is water. He said that the Administration is asking today is that the Board of Commissioners allows a notice for a Public Hearing to be published.

Commissioner Kramer questioned where the Board sees the 2010 Fiscal Year going. In response Sue Devon, Assistant General Manager and CFO, stated they are looking overall at negative return on investment of about 2.59%.

Mrs. Devon said that the 6.18% was based on how much money we need to set aside to fund all of our future operations. That number is still good. The problem is that we are so far behind on our rates that we would need a very significant increase in our raise in order to reach that required 6.18% all in one year. A more gradual approach, meaning a little bit of an increase each year, is recommended.

Commissioner Kramer stated that he is trying to understand what the Commissioners most responsible business solution to implement would be with both the economy and constituents in mind at the same time. Commissioner Kramer stated that he does not feel that the proposed percentage is where this needs to be and that we would just break even because of the requirements that the governor has placed on us and that the Board of Water & Light is not supporting the basis or foundation of the utility for the future and that concerns him.

Commissioner Lain questioned if there was a water charge and if anyone had thought about if it would be worthwhile adjusting those cost. In response Mrs. Devon responded that the resident water charge is \$7.71.

Commissioner Zerkle stated her concerns for people who are struggling financially. She said that she would prefer to use the word usage instead of Service increase.

Commissioner Kramer asked if there were any Commissioners that have any thoughts on having the resolution being any different than what management presented. He questioned if there were any thoughts of having more of an increase than what management has brought forward. He stated that he believes that there is another percent here that the public could handle.

Commissioner Kramer said that he is thinking of two or three years down the road when we look back at this time right now we are sitting here trying to deal with things that happened three to five years ago when the Board did not raise rates the way they should have and we are fighting that cost. We all know that in a few years down the road our rates will be higher than they are today and to not ask for the increase now just delays the problem and pushes it into the future. He said this is okay as long as we all have talked about it and we have good reason for doing it and we say this is the best way to manage the utility.

Commissioner Lain asked if we approve the resolution could we still visit the service charges? General Manager Lark stated yes. We are not locked into this resolution.

Commissioner Kramer said the question is what is the most responsible thing the Board of Commissioners can do for the Board of Water & Light. Right now the most responsible thing that we see is to support management's recommendations. He said that there has been good dialogue today but believes that the Commissioners are undershooting and as a Board are not acting as responsible as we should fiscally.

Resolution
Public Hearing for 2010 Electric and Water Rate Increases

WHEREAS, the Corporate Financial Target for each of the Lansing Board of Water and Light's Strategic business units is 6.18% return on net fixed assets and materials and supplies that would require \$18.1 million of electric net income and \$11.8 million of water net income; and

WHEREAS, the Fiscal Year 2010 Electric Utility budget filed with the City of Lansing, including mandated costs of Renewable Energy and Energy Optimization Plans in compliance with 2008 PA 295, would result in electric net income of \$3.2 million or a 1.13% return on net fixed assets and materials and supplies; and

WHEREAS, first quarter electric retail sales reduction caused by a cooler than normal summer and reductions in wholesale revenues reflective of the current economic conditions will negatively affect the Fiscal Year 2010 budgeted net income beyond that reflected in the original budget projections; and

WHEREAS, the Fiscal Year 2010 Water Utility budget filed with the City of Lansing would result in a water utility net loss of \$6.4 million or a negative 3.53% return on net fixed assets and materials and supplies; and

WHEREAS, the current forecast of electric and water net income projection for Fiscal Year 2010 are losses of \$3.8 million and \$6.4 million respectively; and

WHEREAS, the Staff proposes implementation of a Renewable Energy Plan Surcharge to recover the cost of 2008 PA 295 compliance; and

WHEREAS, the Staff proposes implementation of an Energy Optimization Surcharge to recover the cost of 2008 PA 295 compliance; and

WHEREAS, the Staff recommends that the Basic Service Charges for certain electric rate schedules be increased; and

WHEREAS, the Staff proposes to increase annual water billings by \$2.4 million, and

WHEREAS, the proposed rate adjustments will not take effect until March 1, 2010.

RESOLVED, the proposed rate adjustments will be subject to further consideration after a public hearing is held.

FURTHER RESOLVED, that the Board of Commissioners hereby sets the date of January 21, 2010 at 5:30 PM for a public hearing to solicit public input on the proposed rate adjustments. The hearing will be held in the Board of Water and Light offices, 1232 Haco Drive, Lansing. The Corporate Secretary is directed to file with the City Clerk no later than December 7, 2009 information regarding proposed rate adjustments with an effective date of March 1, 2010.

On **motion** by Commissioner Lain, seconded by Commissioner Zerkle to move the proposed resolution to set a Public Hearing for 2010 Electric and Water Rate Increase to the full board for consideration.

Action: Carried unanimously

FAS-71 Accounting Authority for Energy Optimization and Renewable Energy Plan Programs

General Manager Lark stated that request for the Accounting Authority for FAS-71 Accounting is to record the revenue and expenses associated with the REP Plan as well as the Energy Optimization Plan.

In order to do this kind of accounting we have to have the approval of the Board and we have done that several times. It means in instances where you have cost now but you are picking up the revenue later, it becomes a regulatory asset and if you have the recovery now and the costs are incurred later it is a regulatory liability and that is what we are talking about and it has to do with the REP and the Energy Optimization Plan.

RESOLUTION

Application of Financial Accounting Standard #71 (FAS #71) to Renewable Energy Plan and Energy Optimization Revenue and Expense.

WHEREAS, pursuant to Resolution #2003-8-3 the Board of Commission requires management to receive Board approval before any deferrals under FAS 71; and

WHEREAS, the Renewable Energy Plan Surcharge and the Energy Optimization Surcharge are proposed to be implemented as electric rate schedules on March 1, 2010; and

WHEREAS, the proposed surcharges allow for Board approved levelized rate recovery of applicable renewable energy plan expenditures and energy optimization expenditures, including those expenditures already incurred; and

WHEREAS, as allowed under FAS #71 a regulatory liability account will be set up for both the renewable energy plan and the energy optimization program; and

WHEREAS, levelized rates for the renewable energy plan and the energy optimization program will collect customer payments in excess of program costs in initial years; and

WHEREAS, customer payments in excess of program costs will be recorded as an increase to the regulatory liability accounts; and

WHEREAS, in later years renewable energy plan and energy optimization program costs will exceed levelized customer payments; and

WHEREAS, program costs in excess of levelized customer payments will be offset by amounts withdrawn from the regulatory liability accounts.

RESOLVED, that the Board of Commissioners, as the regulatory body of the Board of Water and Light, approve, pursuant to the Financial Accounting Standards (FAS) 71, the appropriate accounting, as described above, for the renewable energy plan and energy optimization program.

On **motion** by Commissioner Zerkle, seconded by Commissioner Louney to move the proposed resolution for an Application of Financial Accounting Standard #71 (FAS #71) to Renewable Energy Plan and Energy Optimization Revenue and Expense to the full Board for consideration.

Action: Motion Carried

Quarterly Cash Report

General Manager Lark stated that earlier this Board adopted an Investment Policy Statement for Operating Cash and according to that resolution management was to bring forward a quarterly statement according to operating funds.

Bill Aldrich, Manager of Finance, stated that the cash balance is down slightly from the beginning of the quarter primarily due to the payment of principal and interest on our bond indebtedness and that happens every July 1st. We ended fiscally on a high note cash wise and then immediately it dropped down considerably \$10 to \$12 million. He stated that the cash position has improved due to Mr. Lark putting the word out that we need to conserve cash and the Managers and Directors have been doing a good job conserving cash and it shows. Mr. Aldrich reviewed the attached documents. (Attachment on file in the Office of the Corporate Secretary)

Quarterly Internal Audit Status Report

Internal Auditor Phil Perkins stated that in his Status Report he would be covering the Board of Water & Light's first quarter progress, but since we're well into Quarter Two he will also address where we are right now, and where we plan to go for the remainder of this fiscal year. He said that he would briefly describe our ongoing risk assessment efforts that help us with the audit planning, and some current challenges and how they are being addressed.

Mr. Perkins introduced his assistants Perez Goree and Charles Moore, without whose efforts many of the accomplishments on the following slides would not have been possible

Mr. Perkins said that he and his assistants finished three carryover audits from FY09 plan in the first quarter, along with a brief consulting engagement that Ms. Devon requested. In this engagement they evaluated management's analysis of obtaining a lockbox service versus acquiring a new data processing machine for customer payments processing. The international auditing standards promulgated by the Institute of Internal Auditors not only allow, but encourage participation in consulting engagements as time permits and when we believe it will add value to the organization, as long as we do nothing to impair our independence. In this case, we made a couple of suggestions to improve the management-prepared financial analysis, without making a recommendation as to which option to pursue.

Mr. Perkins said in the first quarter they started a couple of new FY2010 audits and continued working on several carryover audits from FY2009. Two of these audits have since been finished and the reports are attached. Included in the attached packet is a list of lists the remaining audits on FY2010 Audit Plan that was presented couple of months ago Planning is a continuing function as internal and external changes occur and the associated risks may change as well, so we are looking ahead to the next fiscal year now but will need to refresh our tentative plans over time. We will keep you apprised of any such situations as they develop.

Mr. Perkins stated that ongoing risk assessment is a very important part of our activity, since identification of key risks helps to drive our audit planning into the areas where we can add the most value to the organization. We need to look at general or high-level risks so that we have some grasp of the big picture. Often, these risks are due to external factors such as the economy and are largely

outside of BWL's control, and management is already aggressively addressing what mitigation it can through cost saving and other measures. He stated that when we look at a more specific risk such as the potential impact of ending our MPPA power pool relationship next year, we are in a position to add some value in mitigating this and other more specific risks. In that light, we appreciate that Ms. Devon has asked Internal Audit to be involved in the Energy Risk Management process in the coming months.

Mr. Perkins stated that looking at challenges, our continued risk assessment is critical since we must rely on management's input as at least a starting point, and because we live in a world of constant change and risks tend to evolve along with the changes. Monthly meetings with Ms. Devon and periodic meetings with Executive Directors and their staffs help in this regard.

Mr. Perkins said regarding resources, his department has a good budget but are performing a lot of first-time audits and the planning estimates are often just best guesses of how much effort it will take to complete the audits in the plan. He said that he will continue to prioritize during the year based on risks but we also need to consider the auditee's availability, partly in terms of recent management changes, for example in the Safety Department. He said that he has had ongoing discussions with Ms. Devon and the Internal Control Department regarding the process and timing of discussing draft findings, management responses and the audit report format. As a result, he believes there is a more streamlined and efficient process that allows him to align on the findings and recommendations before the closing conference and preparation and release to management of the draft audit report. (The full Report is on file in the Office of the Corporate Secretary)

Recent Internal Audits Reports Completed

Internal Auditor Phil Perkins presented his reports on the Billing Functions, Bond Financing and Procurement of Good and Services.

The Billing Function Report is presented two parts. Part One is the Executive Summary that contains an outline of our findings, recommendations and management responses. Part Two is the detailed audit report that contains a description of programs and activities; audit objectives, scope and methodology and prior audit follow-up; comments, findings, recommendations, and management responses; and a glossary of acronyms and terms.

The Bond Financing Report is presented in two parts. Part One is an executive summary that provides a snapshot of the audit results. Part Two is the detailed report that contains a description of programs and activities; audit objectives, scope, and methodology; prior audit follow-up; comments, findings, and recommendations; and a glossary of acronyms and terms.

The Procurement of Goods and Services is presented in two parts: (1) the Executive Summary that contains a capsule version of the audit results and (2) the Detailed Report that contains a description of programs and activities; audit objectives; scope and methodology and prior audit follow-up, if any; comments,

detailed findings, recommendations; and management responses; and a glossary of acronyms and terms.

Management responses have been summarized in full in the Detailed Report

Mr. Perkins stated that he appreciate the courtesy and cooperation extended during the audit.

Commissioners Zerkle and Kramer thanked Mr. Perkins for his thorough report and all his hard work. (The full Report is on file in the Office of the Corporate Secretary)

Other

General Manager Lark stated that his Administration had decided to implement furlough days for the non-bargaining employees starting around Christmas. He said that they have talked to the Unions (IBEW) and the union leadership is certainly listening. They are going to present this idea to their Board. He said that he is very hopeful that this will be the bottom and maybe next year we can crawl out. He stated that he is confident that they will be able to close the cash gap.

Mr. Lark thanked Sue Ramsey for cleaning up the Executive Conference Room.

Adjourn

On **motion** by Commissioner Lain, seconded by Commissioner Zerkle to excuse Commissioner Bossenbery from today's meeting.

Action: Carried unanimously

On motion by Commissioner Zerkle, seconded by Commissioner Lain, the meeting adjourned at 5:30 p.m.

Action: Carried unanimously

Respectfully submitted,
Peter W. Kramer, Chair
Finance Committee

COMMITTEE OF THE WHOLE November 10, 2009

The Committee of the Whole of the Lansing Board of Water and Light met at the Executive Offices, Lansing beginning at 6:08 p.m. on Tuesday, November 10, 2009.

Chair Frank Lain called the Committee of the Whole meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Margaret Bossenbery, Tony DeLuca, Peter Kramer, Dennis Louney, Marilyn Plummer and Sandra Zerkle.

Absent: Commissioners Margaret Bossenbery and Tracy Thomas

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner DeLuca, seconded by Commissioner Plummer to approve the Committee of the Whole meeting minutes of October 6, 2009.

Action: Carried unanimously.

Signature Authority Resolutions

a. Delegation of Authority

General Manager J. Peter Lark stated that this Resolution provides in the absence of the General Manager two people who are designated full authority and responsibility to operate the Board of Water & Light. Prior to this the first designee was the Executive Director of Operations, who we no longer have and the number two designee was the Chief Financial Officer. The first Resolution designates the Assistant General Manager and Chief Financial Officer Susan Devon as designee number one and the second designee is Executive Director of Electric Operations, Doug Wood.

Motion by Commissioner DeLuca, seconded by Commissioner Plummer to forward the proposed Delegation of Authority Resolution on to the full Board for consideration and approval.

Action: Carried unanimously

b. Authority to Sign Checks

General Manager J. Peter Lark said this item is the authority to sign checks. The prior resolution that the Board passed is identical to this one. The only difference is the number two person is now the Assistant General Manager and Chief Financial Officer, this new Resolution reflect Ms. Devon's new title.

Motion by Commissioner DeLuca, seconded by Commissioner Plummer to forward the proposed Authority to sign Checks Resolution on to the full Board for consideration and approval.

Action: Carried unanimously

c. Authority to Invest Operating and Pension Funds

General Manager Lark said this is the Authority to Invest Operating and Pension Funds Resolution. This resolution reflects the new title of the Assistant General Manager and Chief Financial Officer, Susan Devon as well as designating the Manager of Finance and Planning Bill Aldrich as a designee.

Motion by Commissioner Plummer, seconded by Commissioner Louney to forward the proposed Authority to Invest Operating and Pension Funds Resolution on to the full Board for consideration and approval.

Action: Carried unanimously

Update on Net Metering, Renewable Energy Plans and Energy Optimization

General Manager J. Peter Lark introduced George Stojic, Director of Strategic Planning and Development.

Mr. Stojic's update and review included:

Net Metering Plan Update

The Purpose

Enable customers who generate electricity using renewable energy sources to connect to the BWL's distribution system

Allows customers to send renewable energy back to the electric grid when their generation exceeds their own use for installations designed to produce no more than the customer's annual electric energy needs

Eligible Renewable Energy Resources

Biomass

Solar Photovoltaic

Wind

Other renewable energy sources must be approved by the BWL

Program Availability

Voluntary

Available to customers on any BWL rate schedule

Selection of participants for the program will be the order in which applications are received

Generating system limited to 50 kW per site

In effect until total nameplate capacity of all generators is equal to 1% of BWL peak load for preceding calendar year

May be limited to geographic regions within the BWL territory

Generation Requirements

Renewable generation equipment must be located on the customer's premise and serve only that customer

Generation capacity must not exceed the customer's electric demand and energy needs

Must meet all current local and state electric and construction code requirements

Application Process

Customer completes a Net Metering Application

Customer reviews the Generator Interconnection procedural guidelines

BWL will work with the customer to determine size of renewable energy system

Interconnection Requirements

Customers must meet all the BWL interconnection requirements

Customer's equipment must be certified to IEEE 1547.1 and comply with UL 1741 scope 1.1A standard

Complete the Generator Interconnection Application process which allows for safe connection to the BWL distribution system

Metering

BWL will determine appropriate meter(s) to be installed that are capable of measuring the flow of energy in both directions

Customers who request a separate generation meter will be responsible for costs for the meter and installation

Customer Billing

Monthly fee of \$5.00 billed to operate the Net Metering program

Generation systems of 20 kW or less qualify for true net metering

–Net of bidirectional flow of kwh across the customer interconnection during billing period including excess generation credits will be credited at full retail energy (kwh) rate

Generating systems greater than 20 kW but less than 50 kW qualify for modified net metering

Net Excess Generation (NEG)

Credit for NEG, if any, will appear on next bill and if not used to offset current charges will be carried forward to subsequent billing periods

Reconciliation of NEG credits occurs at end of each calendar year

NEG credit balance reset to zero and any credits will be refunded at the retail power supply rate

Retail power supply rate includes generation costs, purchase power and other related costs

Renewable Energy Plan

Mr. Stojic gave an overview of what the requirements of State Law are and how the Board of Water & Light is complying regarding Renewables and Energy Optimization. He stated that last fall the Legislature did pass a new law PA295

that had maybe four or five major parts to it. Two of those major parts are applicable to municipal electric utilities. The first is a renewable energy standard and it requires all electric providers in Michigan to attain 2% of their electric energy from renewable sources by 2012 that goes up to 10% by 2015. This Board adopted a renewable energy policy before the state of Michigan did so we are well on our way. We already acquired about a number of megawatt hours, about 4% of our needs from renewable energy so we are well ahead of the requirements. Each megawatt of renewable energy that we generate creates a renewable energy credit or a REC and we can carry those forward for three years.

Energy Optimization Plan:

Sue Warren, Manager of Marketing & Eco-Strategies, provided the Board with a Hometown Energy Savers Packet. This packet included everything that the Board of Water & Light is offering to customers to help reduce energy usage. She stated that the Board of Water & Light has two programs one is perspective and one is replacement.

Ms. Warren said that the Board of Water & Light has two programs right now for residential customers: Refrigerator Recycling and Residential Lighting Program. Next year we are adding an appliance program and we are going to target our electric water heating apartment complexes. They will be given low flow shower heads and CFL's. We launched the CFL give away and that has been very successful. We are also launching our LED light exchange next week.

General Manager Lark stated that Ms. Warren does a great job with the Public Service Commission.

Update on new BWL Logo

General Manager Lark gave an update on the Board of Water & Light's new logo. He stated that they are taking the new logo to the Board on December 1, 2009 for approval.

Mr. Stojic described the new logo and said this is a friendly, progressive forward looking contemporary logo that represents the Board and its culture.

General Manager Lark stated that we didn't want to get it out there too soon because the Board of Water & Light's anniversary is February 16, 2010 and that's when we're going to officially unveil the logo.

Other

General Manager Lark spoke about the ethics training that all Board of Water & Light employees go through and invited the Commissioner to contact Mike Flowers in Human Resources if they are interested in taking the training.

Adjourn

On **motion** by Commissioner Lain, seconded by Commissioner Kramer to excuse Commissioner Bossenbery and Thomas from today's meeting.

Action: Carried unanimously

On **motion** by Commissioner Zerkle, seconded by Commissioner Lain, the meeting adjourned at 6:45 p.m.

Action: Carried unanimously

Respectfully submitted
Frank Lain, Chair
Committee of the Whole

**BOARD OF WATER AND LIGHT
PENSION FUND TRUSTEES' ANNUAL MEETING
Tuesday, November 12, 2009**

Present: Trustees Margaret Bossenbery, Tony DeLuca, Peter Kramer, Frank Lain, Dennis Louney, Marilyn Plummer and Sandra Zerkle.

Absent: Trustee Tracy Thomas

Staff Present: General Manager J. Peter Lark, Assistant General Manager and Chief Financial Officer Susan Devon, Director of Internal Audit Phil Perkins, Manager of Finance and Planning Bill Aldrich, Marilyn Montgomery, Treasury Analyst Heidi Myers Senior Rate Analyst and Corporate Secretary M. Denise Griffin

Consultants Present: From Merrill Lynch: Michael Muirhead Associate Financial Advisor and Keith Azar, Senior Financial Advisor. From ICMA: Linda Brooks, Kevin Kilpatrick and John McCann

The Secretary declared a quorum.

Chairperson Zerkle called the meeting to order at 6:30 p.m.

On **Motion** by Trustee Kramer and Seconded by Trustee Bossenbery to amend the Agenda to include a late item for the approval of November 4, 2008 Pension Fund Trustees' Annual Meeting Minutes.

Action: Motion Carried

On **Motion** by Trustee Bossenbery and Seconded by Trustee Kramer to approve the Minutes of November 4, 2008 Pension Fund Trustees' Annual Meeting Minutes.

Action: Motion Carried

Public Comments

There were no public comments.

Pension Plan Performance Reviews

General Manager J. Peter Lark said that at this time we have before you a resolution to allow the Corporate Secretary to receive and place on file Defined Benefit, Defined Contribution, and Retiree Benefit Pension reports that are being received at this meeting. Please note that all three plans have received a clean audit report.

General Manager Lark said with us today we have representatives from ICMA as well as Merrill Lynch. Merrill Lynch is responsible for the Board of Water & Light's (BWL) Defined Benefit (DB) Plan and the Post Employment Retiree Benefit (VEBA) Plan and ICMA is responsible for the 401 A Plan.

Sue Devon, Assistant General Manager and CFO gave an overview of the different Pension Plans. She stated that the packet that the Board received is broken down into plan areas. The Defined Benefit Plan, the Defined Contribution Plan and the Post Retirement Benefit Plan. Each of the sections in the packet includes general information consisting of the Plan and Trust documents, the Audited Financial Statements, the Actuarial Study Report, the Investment Policy Statement for each Plan and the Investment Results.

Ms. Devon introduced: Investment Advisory of the DB and VEBA Trust Plan from Merrill Lynch: Michael Muirhead and Keith Azar; Plan Administrator for the Defined Contribution Plan from ICMA Linda Brooks, Kevin Kilpatrick and John McCann.

Ms. Devon stated that the Investment Policy Statement for the DB and the VEBA was updated with the assistance of Merrill Lynch and approved by the Board in August 2008 and that they are in the process of updating the Investment Policy Statement for the Defined Contribution Plan with the assistance of ICMA.

Ms. Devon stated the following in her overview:

Defined Benefit Plan.

This Plan was closed to new employees hired after December 31, 1996. There are currently 466 retirees and beneficiaries, 15 terminated employees with vested benefits and 46 current employees in this plan for a total 527 Plan participants.

The key highlights of the Audited Financial Statements is obviously that the Independent Auditors report has stated that our financial statements present fairly in all material respect the net asset held in the Plan for pension benefit at June 30, 2009 and 2008 in conformity with generally accepted accounting principles.

During the Fiscal Year (FY) of 2009 the net investment income in our plan was unfortunately a negative \$25.9 million due to the decline in the stock market as a whole. Benefit payments to eligible retirees in FY 2009 was \$8 million causing our Plan assets to fall from \$107 million at June 30, 2008 to \$73 million at June 30, 2009, a net reduction of \$34 million or 32%. While this is not particularly good news there has been some good news since the end of the FY and we are now seeing the balances in our Plan assets rising due to improvements in the stock market in general and our managed investments funds in particular. Our funds grew 18.10% during the 2nd Quarter out performing our benchmarks by 4.5%. Fund balances at September 30, 2009 were improving reaching \$82 million; \$2 million of the increase was due to our own BWL contribution to the Plan. If our Funds continue to perform well our asset balances should shortly exceed our liabilities of \$83 million. Plan assets as of yesterday are still at \$82 million just \$1 million short.

Also included in the packet is a copy of the BWL's Actuarial Report for the DB Plan. This report is prepared every year for the purposes of presenting the results of the evaluation of the Plan and providing us with reporting and disclosure information for the financial statement. The report provides the Board with next Fiscal Year's annual pension cost. Since we have been overfunded in this Plan for many years, we generally have had no pension cost associated with this DB Plan. Last year the funding ratio was a 127% meaning that our assets exceeded liabilities by about 27%. This year however, our funding ratio was only 77% and because of this we do have to report DB Pension expense this FY in the amount of \$2 million, which has already been contributed to the Plan. We decided to make the contribution in the first quarter of this year because our DB investment earnings have been very good and much higher than what we can get on our cash balances at this point and time.

Post Retirement Plan with VEBA

There are currently 1800 participants in the Post Retirement Plan. This Plan includes 724 active employees 435 Retirees and 641 spouses and surviving spouses.

We have an unqualified opinion from Plante & Moran on our Audited Financial Statements. Our net investments also fell in this Plan this year, \$11.6 million due to the decline in the stock market. The BWL made cash contributions to the Trust in the amount of \$9.5 million causing the Plan Assets to be \$56 million at June 30, 2009 as compared to \$62 million at June 30, 2008 a net reduction of \$2 million or 3.3%. The funded ratio for the Post Retirement Plan was 24% in 2008 but because of the reduction in the Plan Assets it was 18% for 2009. The good news is that we are seeing a significant increase in our Plan Assets during the 3rd Quarter this year, whereas we closed out our last FY at \$60 million. As of September 30th they are at \$69 million and as of yesterday \$71.4 million and \$2.5 million of that increase is attributable to our cash contribution to the plan.

Defined Contribution Plan

This Plan was established in 1997 and replaced the Defined Benefit Plan which was closed to new employees at that time. At the time the DB Plan was closed 602 of the then active 750 employees switched over to the new DB Plan. We transferred \$75 million over from the DB Plan to the Defined Contribution Plan. There are currently 880 participants in the Plan with 668 being active employees. ICMA was selected through our competitive bidding process and approved by the Board in September 2008 to be our new DC Plan Administrators. As with our DB and VEBA our external auditors have issued an unqualified opinion on our DC Pension Plan. As with our other Plans the value of the Assets in the DC Plan for our participants have fallen in 2009 from \$122 million to \$102 million. Investment earnings fell \$17 million and we made \$5 million of contributions to Plan. And we also paid out \$7 million in benefits to participants. This Plan obviously differs from our DB Plan in that the Board through its Pension Trustee Committee, makes the investment decisions on behalf of our employees for the DB Plan whereas the Board makes contributions to the DC Plan on behalf of our DC participants, but those participants themselves have to make their own investment decision based on the array of funds provided for them. Under the DC Plan it is very important that we have a very good education and communication process so that the BWL employees know what to do.

Ms. Devon provided the Board with a handout that reviewed Communication and Education Activities for 2009. (The handout is on file in the Office of the Corporate Secretary)

There was dialogue regarding the low number of individuals that partook in meetings with consultant. Ms. Devon noted that the low number was recognized and as a result ICMA was asked to attend some of the mandatory Safety meetings in order to provide information. Ms. Devon stated that they do try and give the employees as many opportunities to speak with representatives and they are reminded often that Representatives are going to be on-site. Ms. Devon said they are actively trying to find ways to encourage employees to take advantage of the educational seminars.

Moved by Trustee Lain, seconded by Trustee Kramer, to approve the following resolution:

RESOLUTION

ACCEPTANCE OF 2009 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSION PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN (VEBA)

Resolved, that the Corporate Secretary receive and place on file the Defined Benefit, Defined Contribution, and Retiree Benefit Pension reports presented during the Pension Trustee Meeting.

Staff comments: All three Plans received clean audit reports.

Action: Motion Carried

Ms. Devon thanked Marilyn Montgomery and Bill Aldrich for putting this book together and stated that they spent a lot of time on it. She also thanked Beverly Bishop and Sue Ramsey for assisting and putting the packet in paperless form.

On **Motion** by Trustee Lain and Seconded by Trustee Plummer to excuse Trustee Thomas from today's meeting.

Action: Motion Carried

On **Motion** by Trustee Lain and Seconded by Trustee DeLuca with no further business the Pension Fund Trustees meeting adjourned at 6:30 p.m.

Action: Motion Carried

Submitted by:
M. Denise Griffin
Corporate Secretary

FINANCE COMMITTEE December 1, 2009

The Finance Committee of the Lansing Board of Water and Light met at the Executive Offices, Lansing beginning at 12:30 P.M. on Tuesday, December 1, 2009.

Finance Committee Chairperson Peter Kramer called the meeting to order and asked the Secretary to call the roll. The following members were present: Commissioners Peter Kramer, Margaret Bossenbery, Frank Lain and Dennis Louney (arrived at 12:40 p.m.). Also present: Commissioners DeLuca and Zerkle.

Absent: None

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Bossenbery, seconded by Commissioner Lain to approve the Finance Committee meeting minutes of November 10, 2009.

Action: Carried unanimously.

Discussion Regarding Proposed Resolution for Rate Increases

Commissioner Kramer stated that there is only one agenda item today and that is to give Commissioners an opportunity to have more discussion on a previous Finance agenda item that was discussed at the last Committee meeting

regarding the proposed Public Hearing for rate increases for electricity and water. He said that during the original presentation of the resolution management presented a lot of information outlining the bases for where these numbers came from and what the background was, and wanted another opportunity to have a further discussion amongst the members of the Finance Committee to discuss the Board's financial situation and to address any questions Commissioners may have.

Commissioner Zerkle stated that she was happy with the current resolution. She stated that Assistant General Manager Susan Devon has formulated what the Commissioners asked her to do with putting some of the rate increase into a customer charge on the water side.

General Manager J. Peter Lark stated that Commissioner Zerkle's suggestion was a good idea. Instead of going up 9% across the board on the water we would increase the commodity charge by 5% and the service charge would increase \$1.19 to a typical residential customer. The service charge would have increased about .70¢ any way if we used the 9% factor. So really the service charge is going to be .50¢ higher than it would be if we had a 9% rate increase.

General Manager Lark stated the Commissioners' suggestion of breaking this in to two pieces is a good one and a good way to go.

Commissioner Peter Kramer questioned if this still equates to 9%. General Manager Lark confirmed.

Commissioner Bossenbery questioned if the \$1.19 was enough and would it help the company to get \$2.00?

Commissioner Lain questioned if \$1.19 really corrected the problem.

In response General Manager Lark stated \$1.19 does not correct the problem, but it is the beginning of the correction

Commissioner Marge Bossenbery stated that she does not want to charge more than what we need but if we are going to have to request more in the future that is a concern.

Commissioner Peter Kramer said the question is how many identical rate increases will we have over the next ten years to be at the point where this utility breaks even on water. Is this an appropriate graduated approach?

In response General Manager Lark stated that he has plans for the next budget in which they will present a six year plan that will get the Board to a 6.18% return on net fixed assets on all four of our utilities.

Commissioner Peter Kramer agreed that is a good plan and a good approach, as we cannot solve all of our problems in one fiscal year.

General Manager Lark said that the Board of Water & Light is really tightening down and made some real significant improvements, and if you look at the October numbers they are showing improvement. Improvements both in revenue growth and significant cut backs in overtime and O&M cost. He stated that the team assembled can really put something together that can make the Board of Water & Light great without hitting customers too hard.

General Manager Lark stated in regard to electric operations, pursuant to PA 295, there are two new mandated charges for Renewable Energy and Energy Optimization Programs. The Renewable Energy Program would increase an average customer's rate by 3.7% and the Energy Optimization would increase rates by 2%. That means an increase of approximately \$3.89 a month for the average customer using 750 kw hours. The Board of Water & Light gets nothing from these increases for its continuing operations. There was some discussion about if a customer charge increase of \$2.50 would be in order.

General Manager Lark stated that the numbers are looking a little more positive in electric rather than water. He believes the \$2.50 would help to put us where we need to be.

Commissioner Peter Kramer said that he would like to see more on the commodity side with electric because it puts revenue in the hands of the people who are most appropriately paying for the revenue. He said that he would like to see a higher return on electric. He stated as the Board thinks long term it is appropriate to seek out a larger service charge this year with the intent of not addressing that service charge next year and dealing with the adjustment on the commodity side next year because we do not have the ability to deal with the commodity side change this year. He stated that if we could get that two-year adjustment in service charges this year and defer that commodity side situation until we do not have that 5.6% burden then we have the ability to deal with that next year knowing that we have that extra dollar in the bank.

Assistant General Manager and Chief Financial Officer Susan Devon stated the 2010 budget is really tight and the electric side is really tight on maintenance and capital expenditures. That really needs to be beefed up again because we cannot continue deterring capital or maintenance work indefinitely.

Commissioner Dennis Louney said that he is of the belief that we need to do the \$2.50 increase and the Board needs to make a committee to make sure that we can properly maintain what we have. He said this service charge provides a better balance across the board.

Commissioner Peter Kramer said that he appreciates today's dialogue. He said that we currently have a resolution from the previous Finance Committee meeting and he reviewed the numbers. He questioned if any amendment needed to be made to reflect today's meeting.

General Manager Lark stated that we do not have to adjust the resolution. We can just agree to something now and that is what will be published for the

hearing and the published notice will have the numbers that have been discussed.

Commissioner Peter Kramer stated that the Board has been striving to having a good cohesive approach to the decision making process through dialogue. He said that once the Board agrees on something he would like to make sure there is a good consensus and that we all have a good clear course of action that we are on and to stand behind the decision made. The main purpose of this meeting is to have cohesiveness and to make sure that we do not second guess ourselves down the road when things get difficult and to make sure that we feel this is the best course of action for this company and that we provide management with that support.

Commissioner Peter Kramer said there is no need to take action here today.

Other

There was no other business.

Adjourn

On motion by Commissioner Lain, seconded by Commissioner Bossenbery, the meeting adjourned at 1:30 p.m.

Action: Carried unanimously

Respectfully submitted,
Peter W. Kramer, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

Resolution 2009-12-1

REVISION OF LANSING BOARD OF WATER & LIGHT LOGO

WHEREAS, the BWL will be celebrating its 125th anniversary in 2010; and

WHEREAS, the BWL has grown and changed over the past century to meet the Lansing community's energy and water needs; and

WHEREAS, the BWL has established itself as Michigan's largest municipal utility and a reliable, low cost provider of energy and water service and an important member of the Lansing community; and

WHEREAS, The Lansing community is undergoing changes and facing new challenges that will require the BWL to continue supplying reliable, affordable energy and water services; and

WHEREAS, the BWL is continuing to change and evolve, as demonstrated with new progressive energy policies, new strategies for meeting future energy needs of our customers along with a diverse workforce and a focus on new initiatives for the community; and

WHEREAS, in response to changing market and economic conditions, the BWL is committed to continuing its environmental stewardship in the Lansing community by continuing as a leader in renewable energy, energy efficiency, and innovative energy production policies and practices; and

WHEREAS, the BWL's current logo is 25 years old and the BWL would be well served with a logo that reflects its progressive policies, its commitment to environmental stewardship, and its role as an important community economic and cultural institution; and

WHEREAS, the proposed logo revisions will better represent the BWL as a modern, forward looking company, responsive to the Lansing community's needs, with a proud history of reliable, affordable service as we celebrate our 125th anniversary.

RESOLVED, that the revised BWL logo be accepted by the Board of Commissioners.

On Motion by Commissioner Zerkle and Supported by Commissioner Kramer to approve the resolution for the new Board of Water & Light Logo.

Action: **Carried unanimously.**

Resolution 2009-12-2

Resolution

CONSIDERATION OF PURPA STANDARDS UNDER THE ENERGY INDEPENDENCE AND SECURITY ACT OF 2007

WHEREAS, the Energy Independence and Security Act of 2007 (EISA) contains four new Public Utility Regulatory Policies Act (PURPA) standards and a fifth non-PURPA "standard" requiring covered utilities to consider adopting these new standards; and

WHEREAS, The EISA of 2007 amendments to PURPA require covered utilities to begin consideration of these standards by December 19, 2008 with a public hearing and final determination made by December 19 2009; and

WHEREAS, the Lansing Board of Water and Light, with electric retail sales in excess of 500 million kWhs meets the definition of a non-regulated covered utility.

WHEREAS, a public hearing on these PURPA standards under the Energy Independence and Security Act of 2007 was held on November 12, 2009.

BE IT RESOLVED, that the BWL shall implement the PURPA Standards accordingly:

1. **Integrated Resource Planning:** Adopt the Integrated Resource Planning standard as applicable to the BWL.
2. **Rate Design Modifications to Promote Energy Efficiency Investments:** Adopt the Rate Design Modifications to Promote Energy Efficiency Investments standard as applicable to the BWL.
3. **Consideration of Smart Grid Investments:** Adopt the Consideration of Smart Grid Investments standard as applicable to the BWL.
4. **Smart Grid Information:** Research and evaluate a Smart Grid Information program which meets the PURPA standard as applicable to the BWL.
5. **Non-PURPA Additional Incentives For Recovery, Use, and Prevention of Industrial Waste Energy:** Evaluate each project received within the timelines outlined in this standard and make a final determination as applicable to the BWL.

On Motion by Commissioner Kramer and Supported by Commissioner Louney to approve the resolution for the PURPA Standards under the new Energy Independence and Security Act of 2007

Action: **Carried unanimously.**



**LANSING BOARD OF WATER & LIGHT
DETERMINATION RECOMMENDATION
FOR**

Integrated Resource Planning

Rate Design Modification to Promote
Energy Efficiency Investments

Smart Grid Investments

Smart Grid Information

Additional Incentives for Recovery, Use, and Prevention of
Industrial Waste (non-PURPA)

Under Energy Independence and Security Act of 2007

PURPA AMENDMENTS

November 2009 Introduction

The Energy Independence and Security Act of 2007 was signed into law by President Bush on December 19, 2007. The purpose of this act was “to move the United States toward greater energy independence and security, to increase the production of clean renewable fuels, to protect consumers, to increase the efficiency of products, buildings, and vehicles, to promote research on and deploy greenhouse gas capture and storage options, and to improve the energy performance of the Federal Government, and for other purposes.”

The Public Utility Regulatory Policies Act (PURPA), originally approved in 1978, included stated purposes to encourage: (a) conservation of energy supplied by electric utilities, (b) the optimization of the efficiency of the use of facilities and resources by electric utilities and (c) equitable rates to electric consumers.

PURPA was subsequently amended by the Energy Policy Act of 1992, the Energy Policy Act of 2005 and, most recently, the Energy Independence and Security Act of 2007 (EISA). The amendments to PURPA require utilities with annual retail sales greater than 500 million kilowatt hours to consider the additional standards. The Lansing Board of Water & Light falls under these requirements.

Four additional PURPA standards are described in the EISA Sections 532 and 1307 and are titled as follows: Integrated Resource Planning; Rate Design Modifications to Promote Energy Efficiency Investments; Consideration of Smart Grid Investments; and Smart Grid Information. The EISA also includes an additional non-PURPA standard in Section 374 titled, Additional Incentives for Recovery, Use, and Prevention of Industrial Waste Energy.

Under EISA, utilities were required to “commence consideration” for these new PURPA standards by December 19, 2008 and final Determination whether to adopt these standards must be completed by December 19, 2009. On November 18, 2008 the Board of Commissioners passed Resolution 2008-11-2 that officially approved staff to commence consideration of the PURPA standards under EISA. A Public Hearing was held on November 12, 2009 to accept public comments on the five EISA standards.

Staff has now completed its’ consideration and has made recommendations for the final determination which is due by December 19, 2009 and those recommendations are contained in this document. (It should be noted that consideration and determination of a PURPA standard is mandatory. Adoption and implementation of the standard is not mandatory.)

TITLE V – ENERGY SAVINGS IN GOVERNMENT AND PUBLIC INSTITUTIONS

**Subtitle D: Energy Efficiency in Public Institutions
Section 532 PURPA 111(d) Standards.**

(16) INTEGRATED RESOURCE PLANNING.

Definition under EISA

EISA Section 532 (16) amending PURPA 111(d). It states: “*Each electric utility shall—*

- (A) integrate energy efficiency resources into utility, State, and regional plans; and*
- (B) adopt policies establishing cost-effective energy efficiency as a priority resource.”*

The term “Integrated Resource Planning” (IRP) typically refers to a comprehensive planning process intended to systematically consider appropriate supply and demand resources to meet current and future load requirements. The PURPA standard is written specifically to address one aspect of IRP, integrating energy efficiency into utility plans and adopting policy that encourage cost-effective energy efficiency.

Consideration

On a state level, Governor Jennifer Granholm signed into law Public Act 295 of 2008 which is also known as the “clean, renewable, and efficient energy act” on October 8, 2008. PA 295 promotes the development of clean and renewable energy and energy optimization through the implementation of standards that will cost-effectively provide greater energy security and diversify the energy resources used to meet consumers' needs, encourage private investment in renewable energy and energy efficiency and improve air quality. The overall goal of the Energy Optimization Plans under PA 295 was to reduce future cost of service for suppliers and delay the need for constructing new power plants. All the energy optimization programs, collectively, are required to be cost effective using standardized Utility Cost Tests. The BWL’s Energy Optimization Plan was approved by the MPSC on July 1, 2009 and the programs under this Plan were found to be cost-effective.

The BWL periodically prepares integrated resource plans that identify BWL’s future generation needs, evaluations providing a broad set of resource options including renewable energy and energy efficiency, and planning contingencies. One of the major goals on an IRP is to analyze the BWL’s utility exposure to future risks and uncertainties. The latest IRP update was in 2008 and it concludes with a recommendation of the best set of resource options that minimize costs and protect BWL ratepayers from future risks.

Determination Recommendation

Staff believes the BWL current meets the IRP Standard as the IRP process integrates and evaluates energy efficiency resources and has already implemented policies establishing cost-effective energy efficiency as a priority resource, including consumer education and efficiency programs. Therefore, staff recommends adoption of the PURPA standard as applicable to the BWL.

(17) RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS.

Definition under EISA 2007

Section 532 (17) of EISA amends PURPA 111 (d) requires consideration of modifying rate design to promote energy efficiency investments. EISA states: *IN GENERAL.—The rates allowed to be charged by any electric utility shall—*

- (i) align utility incentives with the delivery of cost-effective energy efficiency; and*
- (ii) promote energy efficiency investments.*

(B) POLICY OPTIONS.—In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider—

- (i) removing the throughput incentive and other regulatory and management disincentives to energy efficiency;*
- (ii) providing utility incentives for the successful management of energy efficiency programs;*
- (iii) including the impact on adoption of energy efficiency as 1 of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;*
- (iv) adopting rate designs that encourage energy efficiency for each customer class;*
- (v) allowing timely recovery of energy efficiency related costs; and*
- (vi) offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.”*

Consideration

The BWL is a non-profit organization whose primary objective is to provide reliable, lowest cost electric service consistent with sound business practices. Furthermore, the BWL is not regulated by the Michigan Public Service Commission and there are not any “regulatory disincentives” to energy efficiency.

The BWL rates are designed in conjunction with other corporate goals including utilizing energy efficiency as a resource option as recommended by the recent Integrated Resource Plan update.

The BWL current rates are designed to encourage customers to participate in energy efficiency. Current Residential Electric Rates 1 and 21 have an “inclining tier block” structure where the cost per kilowatt hour increases in incremental steps as the customer consumes more electricity. Published BWL electric Rates 3, 4, 5, 8 and 12 for commercial and industrial customers all have a seasonal component that change twice a year to reflect elevated costs in the summer when demand and pricing is higher. In addition, Rate 5 and Rate 8 have on-peak and off-peak pricing schedule that allows the larger customers to shift usage to off-peak periods to reduce overall consumption.

Public Act 295 allows all electric and natural gas utilities to recover the costs associated with the mandated energy optimization programs. In addition, the BWL Energy Optimization Plan offers education and incentives to assist customers in understanding and reducing their energy use.

This PURPA amendment suggests various options to promote energy efficiency investments and the BWL is implementing the majority of these options through the Hometown Energy Savers (HES) programs. Examples of options that are offered under the HES programs include: on-line home energy audits; educational materials and incentives for customers to upgrade to more energy efficiency options. In addition, the BWL is currently evaluating load management programs.

Determination Recommendation

Staff finds that BWL's current retail rate design methodology and the Hometown Energy Savers energy efficiency programs serve the three purposes of PURPA. Therefore, staff recommends adoption of the PURPA standard as applicable to the BWL.

TITLE XIII – SMART GRID

Section 1307 PURPA 111(d) Standards.

(18) CONSIDERATION OF SMART GRID INVESTMENTS.

Definition under EISA 2007

Standard definition under EISA 2007 states:

(A) IN GENERAL.—Each State shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate investment in a qualified smart grid system based on appropriate factors, including—

- (i) total costs;*
- (ii) cost-effectiveness;*
- (iii) improved reliability;*
- (iv) security;*
- (v) system performance; and*
- (vi) societal benefit.*

(B) RATE RECOVERY.—Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.

(C) OBSOLETE EQUIPMENT.—Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

Consideration

The BWL has and will continue to make cost-effective investments in its electric system. Examples of smart grid investments that have been made by the BWL in recent years include:

- GIS Mapping. Both the overhead and underground distribution maps are now accessible to crews in the field through the computers in their vehicles.
- Intelligent Electronic Devices (IED). IED's are now installed in 7 out of the 10 BWL substations. They record information on events on our system such as when fuses fail.
- Digital Relays. Digital Relays provide time-stamped information on events such as voltage drops and short circuits. Remote communication capability where staff can call from the office and make changes if necessary.
- Supervisory Control & Data Acquisition (SCADA). Allows staff to see power flows and circuit loading which allows for voltage control when needed.
- Recent smart meter test. The BWL recently completed a smart meter test of 10 electric and 10 water meters on BWL system for a period of a month. This test allowed staff to demonstrate the ability of these meters to obtain hourly data from the customer along with remote disconnect functionality.

Determination Recommendation

Staff finds that the BWL does evaluate smart grid investments based on appropriate factors, including the PURPA factors listed above when upgrading its' electric system and therefore staff recommends adoption of the PURPA standard as applicable to the BWL.

(19) SMART GRID INFORMATION.—

Definition under EISA 2007

(A) STANDARD.—All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).

(B) INFORMATION.—Information provided under this section, to the extent practicable, shall include:

“(i) PRICES.—Purchasers and other interested persons shall be provided with information on—

*“(I) time-based electricity prices in the wholesale electricity market;
and*

“(II) time-based electricity retail prices or rates that are available to the purchasers.

“(ii) USAGE.—Purchasers shall be provided with the number of electricity units, expressed in kwh, purchased by them.

“(iii) INTERVALS AND PROJECTIONS.—Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.

“(iv) SOURCES.—Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost effective basis.

C) ACCESS.—Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.”.

Consideration

The BWL provides customers (electricity purchasers) information related to the kilowatt-hours of electricity purchased during each billing period. Information about electric rates, pricing and sources of power supply are readily available on the BWL website.

Currently the BWL does not have the technology infrastructure to provide usage information “on not less than a daily basis”. However, future plans for the development of a smart metering program with the associated infrastructure will enable customers to obtain both daily and hourly data.

Determination Recommendation

The BWL is not yet capable of providing most of the information specified in the Smart Grid Information standard. Staff recommends that the BWL research and evaluate a smart metering program which will meet the PURPA standard as applicable to the BWL.

Section 374 Standard (Non-PURPA standard)

ADDITIONAL INCENTIVES FOR RECOVERY, USE, AND PREVENTION OF INDUSTRIAL WASTE ENERGY

The Energy Independence and Security Act of 2007 contained a standard for states and nonregulated utilities to consider that is not an amendment to PURPA. The focus of this standard is to encourage “waste energy recovery” projects that generate “net excess power”. The standard is divided into six main subsections which include: a) consideration of the standard; b) standard for sales of excess power; c) options for treatment of net excess power; d) rate considerations and criteria; e) procedural requirements for Consideration and Determination and f) implementation. The full standard language can be found in Attachment A.

The project that is to be considered by utilities must be on the “Registry” which is managed by the Environmental Protection Agency Administrator. The standard states that “not later than 180 days after the receipt” by a state commission or nonregulated electric utility the consideration must be started. Each project is to be considered on a project-by-project basis and require a public hearing.

Determination Recommendation

Staff believes that requests for waste energy recovery projects will be minimal and recommends that each request be evaluated at the time they are received. The evaluation should render a decision based on appropriate legal criteria and be mutually beneficial to the BWL and the project owner.

EISA 2007 PURPA Amendments Time Limitation Requirements

The deadline for compliance is one year after enactment (December 19, 2008) and by that date state commissions and each nonregulated electric utility are to begin consideration or set a hearing date for such consideration. Within two years after enactment (December 19, 2009) considerations are to be completed and a determination for each standard is to be made as to whether or not to adopt the standards.

- **On November 18, 2008, the BWL officially “commenced consideration” on these standards. The BWL Board of Commissioners supported this process by passing Resolution #2008-11-2. (See Attachment 2). A Public Hearing was scheduled for 2009.**
- **A Public Hearing was held on November 12, 2009 for the purpose of allowing public comment on these three standards.**

Staff is now respectfully requesting that the Board of Commissioners approve the Determination recommendations presented in this evaluation.

**LANSING BOARD OF WATER & LIGHT
ATTACHMENT 1
EISA 2007
PURPA AMENDMENTS
Integrated Resource Planning
Rate Design Modification to Promote
Energy Efficiency Investments**

Smart Grid Investments

Smart Grid Information

**Additional Incentives for Recovery, Use, and Prevention of Industrial Waste
(non-PURPA)**

TITLE V – ENERGY SAVINGS IN GOVERNMENT AND PUBLIC INSTITUTIONS

Subtitle D: Energy Efficiency in Public Institutions Section 532 PURPA 111(d) Standards.

(16) INTEGRATED RESOURCE PLANNING.—Each electric utility shall—
(A) integrate energy efficiency resources into utility, State, and regional plans;
and
(B) adopt policies establishing cost-effective energy efficiency as a priority resource.

(17) RATE DESIGN MODIFICATIONS TO PROMOTE ENERGY EFFICIENCY INVESTMENTS.—

(A) **IN GENERAL.**—The rates allowed to be charged by any electric utility shall—(i) align utility incentives with the delivery of cost-effective energy efficiency; and (ii) promote energy efficiency investments.

(B) **POLICY OPTIONS.**—In complying with subparagraph (A), each State regulatory authority and each nonregulated utility shall consider—

- removing the throughput incentive and other regulatory and management disincentives to energy efficiency;
- providing utility incentives for the successful management of energy efficiency programs;
- including the impact on adoption of energy efficiency as 1 of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;
- adopting rate designs that encourage energy efficiency for each customer class;
- allowing timely recovery of energy efficiency-related costs; and
- offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about all existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.

TITLE XIII – SMART GRID

Section 1307 PURPA 111(d) Standards.

(18) CONSIDERATION OF SMART GRID INVESTMENTS.—

“(A) **IN GENERAL.**—Each State shall consider requiring that, prior to undertaking investments in nonadvanced grid technologies, an electric utility of the State demonstrate investment in a qualified smart grid system based on appropriate factors, including—

- “(i) total costs;
- “(ii) cost-effectiveness;
- “(iii) improved reliability;

- “(iv) security;
- “(v) system performance; and
- “(vi) societal benefit.

(B) RATE RECOVERY.—Each State shall consider authorizing each electric utility of the State to recover from ratepayers any capital, operating expenditure, or other costs of the electric utility relating to the deployment of a qualified smart grid system, including a reasonable rate of return on the capital expenditures of the electric utility for the deployment of the qualified smart grid system.

(C) OBSOLETE EQUIPMENT.—Each State shall consider authorizing any electric utility or other party of the State to deploy a qualified smart grid system to recover in a timely manner the remaining book-value costs of any equipment rendered obsolete by the deployment of the qualified smart grid system, based on the remaining depreciable life of the obsolete equipment.

(19) SMART GRID INFORMATION.—

(A) STANDARD.—All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).

(B) INFORMATION.—Information provided under this section, to the extent practicable, shall include:

- PRICES.—Purchasers and other interested persons shall be provided with information on—
 - time-based electricity prices in the wholesale electricity market; and
 - time-based electricity retail prices or rates that are available to the purchasers.
- USAGE.—Purchasers shall be provided with the number of electricity units, expressed in kwh, purchased by them.
- INTERVALS AND PROJECTIONS.—Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.
- SOURCES.—Purchasers and other interested persons shall be provided annually with written information on the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which such information is available on a cost-effective basis.

➤ (C) ACCESS- Purchasers shall be able to access their own information at any time through the Internet and on other means of communication elected by that utility for Smart Grid applications. Other interested persons shall be able to access information not specific to any purchaser through the Internet. Information specific to any purchaser shall be provided solely to that purchaser.

Section 374 Standard (Non-PURPA standard)

ADDITIONAL INCENTIVES FO RECOVERY, USE, AND PREVENTION OF INDUSTRIAL WASTE ENERGY

(a) CONSIDERATION OF STANDARD.—

(1) **IN GENERAL.**—Not later than 180 days after the receipt by a State regulatory authority (with respect to each electric utility for which the authority has ratemaking authority), or nonregulated electric utility, of a request from a project sponsor or owner or operator, the State regulatory authority or nonregulated electric utility shall— (A) provide public notice and conduct a hearing respecting the standard established by subsection (b); and (B) on the basis of the hearing, consider and make a determination whether or not it is appropriate to implement the standard to carry out the purposes of this part.

(2) **RELATIONSHIP TO STATE LAW.**—For purposes of any determination under paragraph (1) and any review of the determination in any court, the purposes of this section supplement otherwise applicable State law.

(3) **NONADOPTION OF STANDARD.**—Nothing in this part prohibits any State regulatory authority or nonregulated electric utility from making any determination that it is not appropriate to adopt any standard described in paragraph (1), pursuant to authority under otherwise applicable State law.

(b) **STANDARD FOR SALES OF EXCESS POWER.**—For purposes of this section, the standard referred to in subsection (a) shall provide that an owner or operator of a waste energy recovery project identified on the Registry that generates net excess power shall be eligible to benefit from at least 1 of the options described in subsection (c) for disposal of the net excess power in accordance with the rate conditions and limitations described in subsection d).

(c) **OPTIONS.**—The options referred to in subsection (b) are as follows:

(1) **SALE OF NET EXCESS POWER TO UTILITY.**—The electric utility shall purchase the net excess power from the owner or operator of the eligible waste energy recovery project during the operation of the project under a contract entered into for that purpose.

(2) **TRANSPORT BY UTILITY FOR DIRECT SALE TO THIRD PARTY.**—The electric utility shall transmit the net excess power on behalf of the project owner or operator to up to 3 separate locations on the system of the utility for direct sale by the owner or operator to third parties at those locations.

(3) **TRANSPORT OVER PRIVATE TRANSMISSION LINES.**—The State and the electric utility shall permit, and shall waive or modify such laws as would otherwise prohibit, the construction and operation of private electric wires constructed, owned, and operated by the project owner or operator, to transport the power to up to 3 purchasers within a 3- mile radius of the project, allowing the wires to use or cross public rights-of-way, without subjecting the project to regulation as a public utility, and according the wires the same treatment for safety, zoning, land use, and other legal privileges as apply or would apply to the wires of the utility, except that— (A) there shall be no grant of any power of eminent domain to take or cross private property for the wires; and (B) the wires shall be physically segregated and not interconnected with any portion of the system of the utility, except on the customer side of the revenue meter of the utility and in a manner that precludes any possible export of the electricity onto the utility system, or disruption of the system.

(4) **AGREED ON ALTERNATIVES.**—The utility and the owner or operator of the project may reach agreement on any alternate arrangement and payments or

rates associated with the arrangement that is mutually satisfactory and in accord with State law.

LANSING BOARD OF WATER & LIGHT
ATTACHMENT 2
RESOLUTION 2008-11-2
CONSIDERATION OF PURPA STANDARDS
AS REQUIRED BY THE ENERGY
INDEPENDENCE AND SECURITY ACT OF 2007

Resolution 2008-11-2

B. Consideration of PURPA Standards under the Energy Independence and Security Act of 2007

WHEREAS, the Energy Independence and Security Act of 2007 (EISA) contains four new Public Utility Regulatory Policies Act (PURPA) standards and a fifth non-PURPA “standard” requiring covered utilities to consider adopting these new standards; and

WHEREAS, the EISA of 2007 amendments to PURPA require covered utilities to begin consideration of 1) Integrated Resource Planning, 2) Rate Design Modifications to Promote Energy Efficiency Investments, 3) Consideration of Smart Grid Investments, and 4) Smart Grid Information. Although, the fifth standard is not an amendment to PURPA, utilities are required to consider “Additional Incentives for Recovery, Use, and Prevention of Industrial Waste Energy” under the same process as the other PURPA standards; and

WHEREAS, the Lansing Board of Water and Light, with electric retail sales in excess of 500 million kWhs meets the definition of a non-regulated covered utility.

RESOLVED, that the Lansing Board of Water and Light will commence consideration of the five standards required by the Energy Independence and Security Act of 2007 before December 19, 2008.

FURTHER RESOLVED, that the Lansing Board of Water and Light shall hold a public hearing to accept public comments on the five EISA standards listed above, in 2009.

Motion by Commissioner James, seconded Commissioner Kramer to approve the resolution regarding the Consideration of PURPA Standards under the Energy Independence Security Act of 2007.

Discussion: Commissioner Cochran complimented staff for their proactive efforts regarding the Board of Water and Light’s consideration of PURPA Standards.

Action: Carried unanimously.

Resolution

LANSING BOARD OF WATER & LIGHT'S RENEWABLE ENERGY NET METERING PROGRAM AND COMPANION RATE RIDER

WHEREAS, the Energy Policy Act of 2005 (EP Act 2005) amended the Public Utility Regulatory Policies Act of 1978 (PURPA) requiring covered utilities to consider adopting five new standards including net metering; and

WHEREAS, the Lansing Board of Water & Light Board of Commissioners passed Resolution 2008-7-5 that resolved the BWL shall develop and promote a net metering program which meets applicable PURPA standards; and

WHEREAS, there is a growing interest by residential and business customers to invest in customer generated sources of power supply and a net metering program will encourage the installation and use of customer-owned renewable energy systems.

RESOLVED, that the Renewable Energy Net Metering Program and companion rate rider be made the subject of a public hearing prior to further consideration by the Board of Commissioners.

RESOLVED FURTHER, that the Board of Commissioners hereby set the date of Thursday, November 12, 2009, at 5:30 pm for a public hearing to solicit public input on the Renewable Energy Net Metering Program and companion rate rider. The hearing will be held in the Board of Water and Light's offices, 1232 Haco Drive, Lansing. The Corporate Secretary is directed to file with the City Clerk, no later than September 23, 2009, information regarding the Renewable Energy Net Metering Program and companion rate rider with an effective date of January 1, 2010.

Motion by Commissioner Plummer , seconded by Commissioner Lain to approve the resolution for the Renewable Energy Net Metering Program and Companion Rate Rider.

Action: Carried unanimously.

Renewable Energy Net Metering Rider

Purpose – The purpose of this rider is to enable customers who generate electricity using renewable energy sources to connect to the BWL's electric distribution system and to send electricity back to the electric grid at time when their generation exceeds their own use.

Availability - Net Metering applicants must be an electric customer making use of any BWL Electric Rate Schedule. The Net Metering Program will be voluntary and selection of customers for participation in the net metering program shall be based on the order in which the applications for the net metering program are

received by the BWL. The Net Metering Program will be in effect until the total nameplate capacity of all participating generators is equal to the maximum program limit of 1% of the BWL peak load for the proceeding calendar year. The renewable energy generating system will not exceed 50 kW per site and may be limited to geographical regions within the BWL's service territory.

Eligible Renewable Energy Resources - Customers must generate a portion or all of their own retail electricity requirements using a renewable energy resource including but not limited to the following: Biomass, Solar Photovoltaic or Wind. Other renewable energy resources not included in the list above must be approved in advance by the BWL.

Generation and Interconnection Requirements- The generation equipment must be located on the customer's premise and serve only the customer's premises. The Net Metering applicant shall be limited to generation capacity designed to meet the customer's electric demand and energy needs. The BWL, at its discretion, will make the final determination of the acceptable size of the renewable energy generating system eligible for participation. Before participating in the Net Metering Program customers must be approved for parallel operation with BWL's electric distribution system by meeting all interconnection requirements.

Monthly Rate – All Net Metering customers will be billed \$5.00 per month to recover costs associated with operating the Net Metering Program.

Net metering customers with a system capable of generating 20 kW or less shall qualify for true net metering. For customers who qualify for true net metering, the net of the bidirectional flow of kWh across the customer interconnection with the BWL distribution system during the billing period, including excess generation credits, shall be credited at the full retail energy (kWh) rate.

- a) The credit for Net Excess Generation (NEG), if any, shall appear on the next bill and any excess credit not used to offset current charges shall be carried forward for use in subsequent billing periods.
- b) Reconciliation of any NEG credits will occur at the end of each calendar year. At that time the customer's NEG credit balance will be reset to zero and any NEG credits will be refunded at the retail power supply rate.
- c) If a customer leaves the provider's system or service is terminated for any reason, the BWL shall refund to the customer the remaining NEG credit amount. Remaining NEG credits will be refunded at the retail power supply rate.
- d) The retail power supply rate includes the BWL generation costs and purchase power and other related costs.

Net metering customers with a system capable of generating more than 20 kW but less than 50 kW will qualify for modified net metering. The BWL shall require individual contracts with customers with generation systems of more than 20 kW for billing purposes.

Rules and Regulations – Service under this rider is subject to the BWL Rules and Regulations for Electric Service and the Renewable Energy Net Metering Program Standards. The BWL reserves the right to revise the terms and conditions including any electric energy buy-back pricing rates of future Net Metering programs.

Lansing Board of Water & Light's Renewable Energy Net Metering Program Standards

The Lansing Board of Water & Light (BWL) is currently offering a Net Metering Program to its electric customers who wish to install renewable electric energy systems. This program will also allow the BWL to evaluate the market demand and operational impact for Net Metering in its electric service territory.

The Net Metering Program will enable customers who generate electricity using renewable energy sources to connect to the BWL's electric distribution system and to send electricity back to the electric grid at time when their generation exceeds their own use.

The BWL reserves the right to revise the terms and conditions including any electric energy buy-back pricing rates of future Net Metering programs.

PROGRAM AVAILABILITY

The Net Metering Program will be voluntary and selection of customers for participation in the net metering program shall be based on the order in which the applications for the net metering program are received by the Lansing Board of Water & Light.

The Net Metering Program will be in effect until the total nameplate capacity of all participating generators is equal to the maximum program limit of 1% of the BWL peak load for the proceeding calendar year. The renewable energy generating system will not exceed 50 kW per site and may be limited to geographical regions within the BWL's service territory.

CUSTOMER ELIGIBILITY

Net Metering applicants must be an electric customer making use of any BWL Electric Rate Schedule and receive electric service from the BWL distribution system.

Customers must generate a portion or all of their own retail electricity requirements using a renewable energy resource including but not limited to the following:

- Biomass
- Solar Photovoltaic
- Wind

Other renewable energy resources not included in the list above must be approved in advance by the BWL.

APPLICATION FOR SERVICE AND FEES

For a customer to participate in the BWL Net Metering Program a completed Net Metering Application shall be submitted. An applicant applying for net metering shall at the same time make application for interconnection with the BWL's electric distribution system. Net Metering Applications shall be available through direct mail or through the BWL website. (www.lbwl.com)

GENERATION REQUIREMENTS

The generation equipment must be located on the customer's premise and serve only the customer's premises. The Net Metering applicant shall be limited to generation capacity designed to meet the customer's electric demand and energy needs. The customers' electric needs may be determined by one of the following methods:

- a) The customers' annual energy usage, measure in kilowatt hours (kWh), during the previous 12-month period.
- b) For a customer with metered demand data available, the maximum integrated hourly demand measure in kilowatts (kW) during the past 12-month period.
- c) In those cases where there is no data, incomplete data, or incorrect data for the customer's energy usage or where the customer is making changes on-site that will affect total usage, the BWL and the customer shall mutually agree on a method to determine the customer's electric needs.

The BWL, at its discretion, will make the final determination of the acceptable size of the renewable energy generating system eligible for participation in this net metering program.

GENERATION AND NET METERING EQUIPMENT

New generation and net metering equipment and its installation must meet all current local and state electric and construction code requirements. Any equipment that is certified by a nationally recognized testing laboratory to IEEE 1547.1 testing standards and in compliance with UL 1741 scope 1.1A and installed in compliance with this part is considered eligible equipment.

GENERATOR INTERCONNECTION REQUIREMENTS

Customers interested in participating in the Net Metering Program must meet all BWL interconnection requirements. Applicants must request and review the information in the BWL's Generator Interconnection procedural guidelines and complete the Generator Interconnection Application.

Before participating in the Net Metering Program customers must be approved for parallel operation with BWL's electric distribution system by meeting all interconnection requirements and by signing a "Generator Interconnection Agreement". This agreement will give the customer permission to safely connect to LBWL's electric distribution system.

METERING REQUIREMENTS

Electric meters shall be used to determine the amount of the customer's energy use in each billing period, net of any excess energy the customer's renewable energy generating system delivers to the BWL's distribution system during that same billing period. The BWL will determine the appropriate meter(s) to be installed and that will be capable of measuring the flow of energy in both directions. The installation of generation meters will be at the discretion of the BWL. Customers who request a separate generation meter will be responsible for all costs associated with the meter and installation of that meter.

CUSTOMER BILLING

Net metering customers with a system capable of generating 20 kW or less shall qualify for true net metering. For customers who qualify for true net metering, the net of the bidirectional flow of kWh across the customer interconnection with the BWL distribution system during the billing period, including excess generation credits, shall be credited at the full retail energy (kWh) rate.

- e) The credit for Net Excess Generation (NEG), if any, shall appear on the next bill. Any excess credit not used to offset current charges shall be carried forward for use in subsequent billing periods.
- f) Reconciliation of any NEG credits will occur at the end of each calendar year. At that time the customer's NEG credit balance will be reset to zero and any NEG credits will be refunded at the retail power supply rate.
- g) If a customer leaves the provider's system or service is terminated for any reason, the BWL shall refund to the customer the remaining NEG credit amount. Remaining NEG credits will be refunded at the retail power supply rate.
- h) The retail power supply rate includes the BWL generation costs and purchase power and other related costs.

Net metering customers with a system capable of generating more than 20 kW but less than 50 kW will qualify for modified net metering. The BWL shall require individual contracts with customers with generation systems of more than 20 kW for billing purposes.

COST RECOVERY OF NET METERING PROGRAM

All Net Metering customers will be billed \$5.00 per month to recover costs associated with operating the Net Metering Program.

CUSTOMER DISCONNECTION OR TERMINATION

The BWL may refuse to connect or may disconnect a project from the distribution system if any of the following conditions apply:

- a) Lack of a fully executed interconnection agreement.
- b) Termination of interconnection by mutual agreement.
- c) Noncompliance with technical or contractual requirements in the interconnection agreement after notice is provided to the applicant of the technical or contractual deficiency.
- d) Distribution system emergency.

- e) Routine maintenance, repairs, and modifications, but only for a reasonable length of time necessary to perform the required work and upon reasonable notice.
- f) Failure to apply for and receive an electrical permit and inspection by the appropriate permit granting authority.
- g) Failure to remain current on all BWL bills.

The customer may terminate their participation in the Net Metering Program at any time for any reason with 60-days notice.

NET METERING PROGRAM STATUS AND EVALUATION REPORTS

The BWL will maintain records of all Net Metering applications and up-to-date records of all eligible electric generators within its electric service territory.

The Net Metering Agreements will be reviewed on an annual basis by BWL. The BWL reserves the right, at its discretion, to choose to renew, revise or revoke any agreement entered into during this program. The applicant will receive, in writing, an explanation for any decision made concerning the status of their Net Metering Agreement.

Resolution 2009-12-4

Resolution Public Hearing for 2010 Electric and Water Rate Increases

WHEREAS, the Corporate Financial Target for each of the Lansing Board of Water and Light's Strategic business units is 6.18% return on net fixed assets and materials and supplies that would require \$18.1 million of electric net income and \$11.8 million of water net income; and

WHEREAS, the Fiscal Year 2010 Electric Utility budget filed with the City of Lansing, including mandated costs of Renewable Energy and Energy Optimization Plans in compliance with 2008 PA 295, would result in electric net income of \$3.2 million or a 1.13% return on net fixed assets and materials and supplies; and

WHEREAS, first quarter electric retail sales reduction caused by a cooler than normal summer and reductions in wholesale revenues reflective of the current economic conditions will negatively affect the Fiscal Year 2010 budgeted net income beyond that reflected in the original budget projections; and

WHEREAS, the Fiscal Year 2010 Water Utility budget filed with the City of Lansing would result in a water utility net loss of \$6.4 million or a negative 3.53% return on net fixed assets and materials and supplies; and

WHEREAS, the current forecast of electric and water net income projection for Fiscal Year 2010 are losses of \$3.8 million and \$6.4 million respectively; and

WHEREAS, the Staff proposes implementation of a Renewable Energy Plan Surcharge to recover the cost of 2008 PA 295 compliance; and

WHEREAS, the Staff proposes implementation of an Energy Optimization Surcharge to recover the cost of 2008 PA 295 compliance; and

WHEREAS, the Staff recommends that the Basic Service Charges for certain electric rate schedules be increased; and

WHEREAS, the Staff proposes to increase annual water billings by \$2.4 million, and

WHEREAS, the proposed rate adjustments will not take effect until March 1, 2010.

RESOLVED, the proposed rate adjustments will be subject to further consideration after a public hearing is held.

FURTHER RESOLVED, that the Board of Commissioners hereby sets the date of January 21, 2010 at 5:30 PM for a public hearing to solicit public input on the proposed rate adjustments. The hearing will be held in the Board of Water and Light offices, 1232 Haco Drive, Lansing. The Corporate Secretary is directed to file with the City Clerk no later than December 7, 2009 information regarding proposed rate adjustments with an effective date of March 1, 2010.

Motion by Commissioner Louney, seconded by Commissioner DeLuca to approve the resolution to set a Public Hearing for January 21, 2010 to consideration Electric and Water Rates Increases.

Action: Carried unanimously

Resolution 2009-12-5

RESOLUTION

Application of Financial Accounting Standard #71 (FAS #71) to Renewable Energy Plan and Energy Optimization Revenue and Expense.

WHEREAS, pursuant to Resolution #2003-8-3 the Board of Commission requires management to receive Board approval before any deferrals under FAS 71; and

WHEREAS, the Renewable Energy Plan Surcharge and the Energy Optimization Surcharge are proposed to be implemented as electric rate schedules on March 1, 2010; and

WHEREAS, the proposed surcharges allow for Board approved levelized rate recovery of applicable renewable energy plan expenditures and energy optimization expenditures, including those expenditures already incurred; and

WHEREAS, as allowed under FAS #71 a regulatory liability account will be set up for both the renewable energy plan and the energy optimization program; and

WHEREAS, levelized rates for the renewable energy plan and the energy optimization program will collect customer payments in excess of program costs in initial years; and

WHEREAS, customer payments in excess of program costs will be recorded as an increase to the regulatory liability accounts; and

WHEREAS, in later years renewable energy plan and energy optimization program costs will exceed levelized customer payments; and

WHEREAS, program costs in excess of levelized customer payments will be offset by amounts withdrawn from the regulatory liability accounts.

RESOLVED, that the Board of Commissioners, as the regulatory body of the Board of Water and Light, approve, pursuant to the Financial Accounting Standards (FAS) 71, the appropriate accounting, as described above, for the renewable energy plan and energy optimization program.

Motion by Commissioner Kramer, seconded by Commissioner Louney to approve the resolution for the Application of Financial Accounting Standards #71 (FAS71) to Renewable Energy Plant and Energy Optimization Revenue and Expenses.

Action: Carried unanimously

Resolution 2009-12-6

DELEGATION OF AUTHORITY

RESOLVED, That Board of Water and Light Policy 1-03 "Delegation of Authority" is hereby amended as follows:

In the General Manager's absence, the officers listed below shall have the full authority and responsibility for Board of Water and Light (BWL) operations, in the order in which they are listed, or as otherwise designated by the General Manager.

1. Assistant General Manager and Chief Financial Officer
2. Executive Director of Electric Operations.

This resolution supersedes Resolution 2007-9-11

Staff Comments: Due to organizational and title changes, this resolution is necessary to incorporate the new title of Assistant General Manager and Chief Financial Officer

Motion by Commissioner Plummer, seconded by Commissioner Bossenbery to approve the resolution for the Delegation of Authority.

Action: Carried unanimously

Resolution 2009-12-7

AUTHORITY TO SIGN CHECKS

RESOLVED, That Board of Water and Light Policy 1-01 "Authority to Sign Checks" is hereby amended as follows:

The signatures of not less than two (2) of the following officers shall be required to sign checks for the general checking account at National City Bank and the payroll/pension checking account at Bank of America.

1. General Manager
2. Assistant General Manager and Chief Financial Officer
3. Corporate Secretary

This resolution supersedes Resolution 2007-9-10

Staff Comments: Due to organizational and title changes, this resolution is necessary to incorporate the new title of Assistant General Manager and Chief Financial Officer.

Motion by Commissioner Zerkle , seconded by Commissioner Plummer to approve the resolution for the Authority to Sign Checks.

Action: Carried unanimously

Resolution 2009-12-8

AUTHORITY TO INVEST OPERATING AND PENSION FUNDS

RESOLVED, That Board of Water and Light Policy 7-01 "Authority to Invest Operating and Pension Funds" is hereby amended as follows:

RESOLVED, That the General Manager and/or one of the following designated representatives in the sequence listed below, shall be authorized to invest operating and pension funds in such securities as permitted by law and to purchase, sell, sign and endorse for transfer, certificates representing said securities and invested in the name of the Board of Water and Light (BWL):

1. Assistant General Manager and Chief Financial Officer
2. Manager of Finance and Planning

This resolution supersedes Resolution 2007-9-12

Staff Comments: Due to organizational and title changes, this resolution is necessary to incorporate the new title of Assistant General Manager and Chief Financial Officer.

Motion by Commissioner Lain, seconded by Commissioner Plummer to approve the resolution for Authority to Invest Operating and Pension Funds.

Action: Carried unanimously

UNFINISHED BUSINESS

None

NEW BUSINESS

None

RESOLUTIONS

Resolution 2009-12-9

BOARD MEETING SCHEDULE

In accordance with the Board's Rules of Administrative Procedure, a schedule of dates, places, and times for each regular meeting of the Board of Commissioners for the calendar year shall be adopted in November.

RESOLVED, That regular meetings of the Board of Commissioners are hereby set for calendar year 2010 as follows, unless otherwise notified or as a result of date conflicts with rescheduled City Council meetings:

2010

Tuesday	January 26
Tuesday	March 23
Tuesday	May 25
Tuesday	July 27
Tuesday	September 28
Tuesday	November 23

Meetings will be held in the Board Room located in the Board of Water and Light Customer Service Center, 1232 Haco Drive, Lansing, at 5:30 p.m.

RESOLVED FURTHER, That a notice of the meeting schedule be published in a newspaper of general circulation in Ingham County the week of January 3, 2010.

Motion by Commissioner Lain, seconded by Commissioner Bossenbery to approve the resolution setting the 2010 meeting dates schedule.

Action: Carried unanimously

MANAGER'S REMARKS

General Manager Lark stated the Board of Water & Light is the signature sponsor for the Silver Bells in the City. He said the event was a success and very well attended.

COMMISSIONERS' REMARKS

Commissioner Peter Kramer thanked the General Manager and his staff for a great year of hard work.

General Manager Lark stated that working with the Board has been very pleasant this year and we thank you.

Commissioner Marilyn Plummer thanked the General Manager and the Administration for the great job with the Silver Bells in the City event. She said it was a pleasant experience.

EXCUSED ABSENCE

On **Motion** by Commissioner Lain, seconded by Commissioner Kramer to excuse the absence of Commissioner Tracy Thomas.

Action: Carried unanimously.

PUBLIC COMMENTS

There were no public comments.

ADJOURNMENT

On **Motion** by Commissioner Lain, seconded by Commissioner Kramer, the meeting adjourned at 6:00 p.m.

M. Denise Griffin, Corporate Secretary
Filed with Lansing City Clerk
December 11, 2009