



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

LANSING BOARD OF WATER AND LIGHT

November 23, 2010

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

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

Present: Commissioners Margaret Bossenbery, Tony DeLuca, Frank Lain, Dennis M. Louney Marilyn Plummer, Tracy Thomas, Cynthia Ward and Sandra Zerkle.

Absent: None

The Corporate Secretary declared a quorum present.

Commissioner Ward led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Plummer seconded by Commissioner DeLuca to approve the minutes of the Regular Board Meeting of September 28, 2010.

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 was no public comment.

COMMUNICATIONS

A Thank you card from the family of Tim Haggart.

Received and Place on File

COMMITTEE REPORTS

COMMITTEE OF THE WHOLE

November 9, 2010

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, November 9, 2010.

Committee of the Whole Chair Dennis M. Louney called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Margaret Bossenbery, Tony DeLuca, Dennis M. Louney, Frank Lain, Marilyn Plummer, Tracy Thomas, Cynthia Ward and Sandra Zerkle.

Absent: None

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Bossenbery, seconded by Commissioner Lain to approve the Committee of the Whole meeting minutes of September 14, 2010.

Action: Carried unanimously.

Resolution for the 2011 Board Meeting Schedule

Committee of the Whole Chair Dennis M. Louney noted that the Board Meeting date for November 2011 is scheduled a week earlier to accommodate the Thanksgiving Holiday.

Motion by Commissioner Zerkle, seconded by Commissioner Thomas, to move the proposed resolution for the 2011 Board Meeting Schedule to the full board for approval.

Action: Carried unanimously.

New Customers

General Manager J. Peter Lark welcomed new Commissioner Cynthia Ward.

General Manager Lark stated that the Board of Commissioners has previously been introduced to Chad Taylor, Supervisor for Customer Development and Projects, but since he is one of the key people at the Board of Water and Light (BWL) who helps secure new customer accounts and successfully deals with the competitors he invited him to today's meeting to be acknowledged and thanked for his contributions to important various projects.

George Stojic, Executive Director of Strategic Development stated that for many years Chad Taylor has been the interface between the BWL' and its new customers, designing the infrastructure by which they integrate into the system and preparing service agreements for new customer accounts.

Mr. Stojic stated that most recently Chad has taken a role in making sure that the BWL is the provider of choice for utility services here in the Mid Michigan area. Projects that the BWL has won with the assistance of Chad include Peckham's warehouse on the north side of Lansing, the Lodges of E. Lansing which required a lot of imaginative work on marketing and infrastructure development, and the backup data center for Jackson National Life.

Mr. Stojic said that the BWL is fortunate to have skilled people like Chad and fortunate that he is one of the first faces that new customers see when they request service from the Board.

Chad Taylor stated that it really is a team effort and that he could not be successful without the great people working along side and with him.

Chairman Louney thanked Chad for all of his hard work, efforts and leadership.

Biomass Test Burn

General Manager Lark announced that a recent biomass test burn took place at the Board's Erickson power plant. Biomass is one renewable fuel source that the Board may rely on to meet its Renewable Portfolio Standard (RPS). Mr. Lark stated that the BWL has reached 5% renewables in only a couple of years and no other utility in the State have been able to accomplish that goal.

George Stojic, Executive Director of Strategic Development, provided an update of what the BWL's goals and status is with respect to renewable energy.

Mr. Stojic stated that there were two ways for the BWL to reach a 10% RPS, using either wind or biomass. The Board is focused on the biomass because the wind regime in this area is too weak to make wind an economic choice. He stated that biomass has a couple of advantages for the BWL. First it would allow the Board to leverage its existing generating assets, keeping its rates affordable. Second, it is a reliable source of power.

Biomass can be used in two forms. The first is a gas produced from biodigesters. The staff will be searching for opportunities to purchase and use biogas in our new REO Town natural gas Plant. The second form is as a solid. The Board has seven pulverized coal generators here in the Lansing area that could potentially burn solid biomass. Torried biomass may be available soon and could be usable in the Board's generating units. The biomass test was designed to determine if the torried biomass will work in existing coal plants.

Mr. Stojic said that the Board received a small grant from the state to do a test burn of biochar, torried biomass and that test was completed in early September. Mr. Stojic introduced Justin Hill from Project Engineering who has taken the lead on biomass energy at the BWL, including investigating biomass options.

Mr. Hill provided a sample of the material that was tested at the Erickson Station and reviewed the results of the test burn. He said there are a lot of positives to this product with emphases on its handling and storage. The test overall went well and is encouraging because the torried biomass easily passed through a system designed for coal. He also stated that the boiler reacted well. Mr. Hill said there needs to be further and more extensive testing to determine the long-term impact of the material on the precipitators and boiler. He stated that this product is made of wood, which is seen as renewable energy.

Environmental Compliance Issues

General Manager Lark stated over the last year he and his staff have made the Board aware of emerging environmental compliance issues. He stated that existing and new rules being promulgated by the Environmental Protection Agency (EPA) and implemented by the Department of Natural Resources and Environment (DNRE) may require large capital investments to upgrade pollution control equipment.

George Stojic, Executive Director of Strategic Development stated this is probably the predominant issue in long range electric energy generation planning today, and it all resolves around the Clean Air Act.

Permits

Mr. Stojic discussed two types of permits. The first is "Permit to Install" (PTI) and this is required whenever someone wants to construct or modify a major source of emissions. This permit needs to be secured before construction begins on a source and we will need a PTI, prior to beginning construction at the new REO Town plant. This permit requires the new plant to meet several regulations and demonstrate that it will not cause a significant deterioration of the region's air quality. The BWL has successfully met the PTI requirements. The permit request is now open to public comment and a tentative public hearing on the permit has been scheduled for December 6th.

The second type of permit is a "Renewable Operating Permit" and must be renewed every 5 years. This permit consolidates all the Clean Air Act Regulations that are applicable to a major source of emissions like our generating unit. The BWL applied for a permit for Erickson in the late spring and received it. The BWL also applied for a permit for the Eckert plant this summer and received a draft permit from the DNRE. During the public comment phase, a consortium of environmental groups opposed the draft permit, asserting that the BWL violated NSR Standards when performing maintenance at the plant and seek a firm retirement date for the Eckert units. Both Consumers Energy and Detroit Edison have experienced similar opposition to their permit applications by these groups. It is unclear at this point how the DNRE intends to reply to these filings.

New Source Review

In 1977 there was a major amendment to the Clean Air Act that required new emissions sources to install expensive pollution control equipment. The new provision was added as section 114 and was termed New Source Review (NSR). Existing units, like Erickson and Eckert, however, were grandfathered and not required to add the pollution control equipment so long as they perform only routine maintenance and repair and do not increase their potential to emit pollutants.

Last August the BWL received a Section 114 information request from the EPA. The EPA is reviewing the BWL's maintenance and repair records to determine if the BWL complied with NSR Standards. The data request includes information from the 1970's and 1980's.

New and emerging Regulations

Scott McQuiston, Board of Water & Light's Environmental Regulatory Compliance Engineer, described five new environmental rules and regulations that have been proposed or adopted by the EPA. They include the following:

- Clean Air Transport Rule, this will target oxides of nitrogen (Nox) and oxides of sulfur (Sox). The BWL will likely be able to meet Sox, standards, but may need additional controls to meet the Nox standards.
- Electrical Generation Utility (EGU) Maximum Achievable Control Technology (MACT) which addresses hazardous air pollutants like mercury. Compliance for this will probably require additional controls.
- Greenhouse Gas Tailoring Rule, this is a new rule, but the EPA has not yet adopted specific requirements for air permits.
- Coal Combustion Residual (CCR), coal ash disposal will need to adhere to one of two designations, either hazardous or non-hazardous. If it is designated as hazardous, it will likely prove to be much more expensive to dispose of.
- Clean Water Act 316B, this proposed rule could require closed loop cooling at all power plants. If adopted it may be difficult to meet this requirement at Eckert, since space is limited at the plant.

Update on New Plant

General Manger Lark introduced Susan Devon, Assistant General Manager and Chief Financial Officer and Project Director for the new Co-generation plant.

Ms. Devon provided an update on the following items pertaining to the new REO Town co-generation plant:

- Air Quality Permit
The final air quality permit is expected in January.
- Owner's Representative
Reviewed bid evaluations for the Owner's Representative. Six firms presented proposals and they were evaluated based upon experience, proposed methodology, key staff, onsite work proposal, total hours devoted to the project, locations of firm and bid offer price.
- Land Purchase
Phase II of the land purchase is in process and core samples of the land are at the lab being tested, results are expected in the next couple of weeks.
- Natural Gas Pipeline.
Ms. Devon stated that the BWL has been working with Consumers Energy in regards to the installation of the natural gas transmission pipeline. She stated that the BWL has had meetings with Consumers Energy one of which the City of Lansing was in attendance, to talk about possible different routes of the pipeline and possibly coordinating the pipeline construction with the City's Combined Sewer Overflow (CSO) work that needs to be done. Cost of this pipeline installation is also being discussed.
- Bonding Process
The Board of Water & Light is currently working with Bond Advisors. It has been determined that the best time for the Bond Issuance is in June of 2011. A Request for Proposal (RFP) is being prepared to solicit underwrites for the sale of the bonds.
- Being a Good Neighbor
Ms. Devon stated that BWL has extended a good neighbor invitation to meet with neighbors or anyone affected in the neighborhood regarding concerns or questions about the new plant.

Annual Report

Mark Nixon, Director of Communications, stated that the Annual Report is titled "Powering of the Future". The Annual Report will give a great nod to the Board of Water and Light's 125 year past but will be very much geared towards our community, our people and the future. This Annual Report is a keepsake item and something we can all be proud of.

Excused Absence

None

Other

Commissioner Zerkle spoke about the success of the 1st STEP. She said the students are very excited to have been a part of this program and hopes the program can continue.

General Manager Lark congratulated Calvin Jones for the success of the 1st STEP program. He also stated that the BWL recently hired one of the 1st STEP participants.

Committee of the Whole Chair Louney thanked Mr. Lark and his Administration for the Chevy Volt Ride and Drive event that took place last week. He stated that he liked being volted.

Adjourn

On Motion by Commissioner Zerkle, seconded by Commissioner Thomas, the meeting adjourned at 6:35 p.m.

Respectfully submitted
Dennis M. Louney, Chair
Committee of the Whole

FINANCE COMMITTEE

November 9, 2010

The Finance Committee of the Board of Water and Light met at the Executive Offices, beginning at 6:50 p.m. on Tuesday, November 9, 2010.

Finance Committee Chairperson Margaret Bossenbery called the meeting to order and asked the Secretary to call the roll. The following members were present: Commissioners Margaret Bossenbery, Dennis M. Louney, Marilyn Plummer and Tracy Thomas. Alternate committee member Commissioner Sandra Zerkle was present. Also present were Commissioners Tony DeLuca and Cynthia Ward.

Absent: None.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Thomas, seconded by Commissioner Louney to approve the Finance Committee meeting minutes of September 14, 2010.

Action: Carried unanimously.

Updated Lineup for 457/401 Plans

General Manager J. Peter Lark stated that at the September 2010 Finance Committee meeting the fund offerings in both the Defined Contribution Pension Plan and the Deferred Compensation Plan which are administered by International City Management Association Retirement Corporation (ICMA, RC) was reviewed.

William Aldrich, Manager of Financial Planning, stated that the Board of Water & Light is looking at adding 5 more funds to its lineup for the purpose of giving participants additional investment choices. The staff is also reviewing different options for funds that have been underperforming.

Mr. Aldrich said that ICMA is currently reviewing the proposed choices to determine the cost of adding the funds to the BWL's lineup. The next step is General Manager Lark's review of recommended changes. If the lineup changes are approved, all participants will be notified and will be allowed to redirect money invested in the replaced funds.

Financial Update Resolutions

- A. Water
- B. Steam
- C. Electric
- D. REO Town Plant

General Manager Lark said that Board of Commissioners determined by Resolution a couple of years ago that the Board of Water & Light (BWL) is to operate its four utilities, electric, water, steam and chilled water, in such a way that total return on assets would be 6.18%. In 2000 the Board passed a resolution which also stated that each utility should be self sustaining and not subsidize other utilities. The budget that was approved in May included a five year financial forecast that would provide the opportunity to meet these two goals. Mr. Lark stated the recommendations that he is requesting today are based upon the forecast presented in May.

General Manager Lark reviewed the rate recommendations for the water and steam utilities. General Manager Lark also reviewed the recommendations for a new rate for Electric Plug-in Vehicles and rate structure charges to Electric Street Lighting.

General Manager Lark asked that the Finance Committee forward the resolution to the full Board for approval.

The following motion was proposed.

Motion by Commissioner Louney, seconded by Commissioner Thomas to amend the resolution to include a 2% increase in electric utility rates and 5% increase in chilled water utility rates.

Action: Motion Carried

The Finance Committee requested that the Administration prepare information showing the financial impact of various electric rate increase scenarios in advance of the Board meeting.

Motion by Commissioner Bossenbery, seconded by Commissioner Thomas to approve the amended resolution to set a Public Hearing for rate changes and forward to the full Board for consideration and approval.

Action: Motion carried.

Finally, General Manager Lark recommended a proposal to preapprove the electric and steam rates necessary to support the cost related to the REO Town Plant. The new rates would not be effective until Fiscal Years 2013-2014. The approval of these rates will show that the revenue stream has been approved to provide for the construction of the new power plant when seeking financing for the plant.

Motion by Commissioner Plummer and seconded by Commissioner Louney to forward the proposed resolution to set a Public Hearing for Advanced Approval of Electrical and Steam Rate Increases to support the Addition of New Electric and Steam Generation to the full Board for consideration and approval.

Action: Motion carried.

Adjourn

There being no further business, the meeting adjourned at 7:58 p.m.

Respectfully submitted
Margaret Bossenbery, Chair
Finance Committee

FINANCE COMMITTEE
November 23, 2010

The Finance Committee of the Board of Water and Light met at the Executive Offices, beginning at 5:00 p.m. on Tuesday, November 23, 2010.

Finance Committee Chairperson Margaret Bossenbery called the meeting to order and asked the Secretary to call the roll. The following members were present: Commissioners Margaret Bossenbery, Dennis M. Louney, Marilyn Plummer and Tracy Thomas. Alternate committee member Commissioner Sandra Zerkle was present. Also present were Commissioners Tony DeLuca and Cynthia Ward.

Absent: None.

Public Comments

There were no public comments.

Public Hearing for 2011 Electric Rate Increases Resolution

The Administration presented the Finance Committee with various financial impact electric rate increase scenarios, as requested by the Committee at the November 9, 2010 meeting.

Adjourn

There being no further business, the meeting adjourned at 5:20 p.m.

Respectfully submitted
Margaret Bossenbery, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

RESOLUTION #2010-11-01

Public Hearing for 2011 Rate Adjustments

WHEREAS, the Corporate Financial Targets 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 \$17.7 million of electric net income, \$12.0 million of water net income, \$1.6 million of steam net income and \$1.7 million of chilled water net income; and

WHEREAS, the proposed Fiscal Year 2011 budget with the proposed rate adjustments would result in electric operating income of \$10.3 million or a 3.18% return on fixed assets and materials and supplies; and

WHEREAS, the proposed Fiscal Year 2011 budget with the proposed rate adjustments would result in a water operating loss of \$3.6 million or a negative 1.84% return on fixed assets and materials and supplies; and

WHEREAS, the proposed Fiscal Year 2011 budget with the proposed rate adjustments would result in a steam operating loss of \$3.4 million or a negative 13.20% return on fixed assets and materials and supplies; and

WHEREAS, the proposed Fiscal Year 2011 budget with the proposed rate adjustments would result in chilled water operating income of \$1.3 million or a 4.75% return on fixed assets; and

WHEREAS, the Staff proposes to increase annual electric billings by \$2.7 million, water billings by \$2.5 million, steam billings by \$0.7 million and chilled water billings by \$0.2 million; and

WHEREAS, the Staff proposes a new electric rate for residential customers with separately metered Electric Vehicle Supply Equipment. This rate would allow a discounted rate for off-peak power used to charge electric vehicles; and

WHEREAS, the current Electric Street Lighting flat rate structure does not allow flexibility for billing for various lamp types requested by customers nor does it allow for the recognition of advanced payments for capital costs; and

WHEREAS, the Staff proposes to restructure the street lighting rates to bill for energy, transmission and distribution, and lamp maintenance through a per Watt annual charge and to bill for the facilities on a contract by contract basis; and

WHEREAS, the Staff proposes to close the current street lighting rates to new contracts and to continue to bill current contracts under the current street lighting rate schedules; and

WHEREAS, the proposed rate adjustments will not take effect until March 1, 2011.

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

FURTHER RESOLVED, that the Finance Committee hereby sets the date of January 20, 2011 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 06, 2010 information regarding proposed rate adjustments with an effective date of March 1, 2011.

Motion by Commissioner Plummer, seconded by Commissioner DeLuca, to approve this resolution to set the Public Hearing for January 20, 2011 at 5:30 p.m. to solicit input on the proposed rate adjustments with an effective date of March 1, 2011.

Action: Carried unanimously

RESOLUTION #2010-11-02

Public Hearing

**for Advance Approval of Electric and Steam Rate Increases to
Support the Addition of New Electric and Steam Generation**

WHEREAS, the BWL annually supplies 800,000 Mlbs of steam to 225 customers with four coal-fired boilers for heating and supply of hot water; and

WHEREAS, steam production facilities are over 55 years old and it is estimated that it will cost \$67-139 million to attempt to keep the steam production facility operational; and

WHEREAS, BWL Staff evaluated several options for supplying steam and found that a new natural gas combined cycle co-generation power and steam plant is the least costly option resulting in the lowest long-term rates for steam customers; and

WHEREAS, the proposed natural gas combined cycle cogeneration power and steam plant will preserve and enhance BWL's electric reliability; and

WHEREAS, the BWL Staff expects to issue approximately \$250 million in Revenue Bonds to finance the construction of the new Power and Steam Plant; and

WHEREAS, The BWL Staff wishes to maintain its current credit ratings so as to be able to issue this new debt at the lowest possible rate; and

WHEREAS, the expected Electric and Steam annual revenue requirements for the proposed plant are \$19.3 million and \$0.2 million respectively; and

WHEREAS, the BWL Staff, in its effort to maintain its current bond ratings, proposes that the Board preapprove Electric and Steam Utility rate increases associated with the new plant to be effective in Fiscal Years 2013 and, 2014; and

WHEREAS, the proposed electric rate adjustment would increase annual electric billings by \$7.7 million and \$8.2 million respectively and the proposed steam rate adjustment would increase annual steam billing by \$0.2 million; and

WHEREAS, the proposed electric rate adjustments will take effect on October 1, 2012 and October 1, 2013 and the proposed steam rate adjustments will take effect on October 1, 2012.

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

FURTHER RESOLVED, that the Finance Committee hereby sets the date of January 20, 2011 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 06, 2010 information regarding proposed rate adjustments with effective dates of October 1, 2012 and October 1, 2013.

Motion by Commissioner Bossenbery, seconded by Commissioner Ward, to approve this resolution to set the Public Hearing for January 20, 2011 at 5:30 p.m. to solicit input on the proposed rate adjustments with effective dates of October 1, 2012 and October 1, 2013.

Action: Carried unanimously

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTIONS

RESOLUTION #2010-11-03



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 Water & Light's Board of Commissioners are hereby set for calendar year 2011 as follows, unless otherwise notified or as a result of date conflicts with rescheduled City Council meetings:

2011

Tuesday	January 25
Tuesday	March 22
Tuesday	May 24
Tuesday	July 26
Tuesday	September 27
Tuesday	November 15

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 the Lansing City Pulse the week of January 2, 2011.

Motion by Commissioner Lain, seconded by Commissioner DeLuca to approve the Board of Water & Light's Board of Commissioners 2011 Board Meeting date schedule.

Action: Carried unanimously

MANAGER'S REMARKS

General Manager Lark said that he felt that it was important that the Board be made aware of the generosity of the Board of Water & Light employees. He reported that Board of Water & Light employees collected \$231.50 at a charity cook out in which the money was donated to the Lansing City Rescue Mission. He also reported that donations and a recent food drive to benefit the Greater Lansing Food Bank resulted in the collection of 3,480 pounds of food and \$1,557.35 in cash donations.

General Manager Lark stated that the recent "26th Annual Silver Bells" was the best ever and by far the smoothest operation of the event. He thanked Calvin Jones on his leadership for the "Silver Bells" event as well as all the Board of Water & Light employees who pulled together and did a great job.

COMMISSIONERS' REMARKS

Chair Zerkle stated that she agreed with General Manager Lark regarding the success of the "Silver Bells" event and there has been nothing but good comments regarding the event. Chair Zerkle welcomed new Board member Cynthia Ward.

Commissioner Thomas said that he attended the "Silver Bells" event and it was very nice. He also spoke about the great job that General Manager Lark did in presenting his ceremonial comments at the "Silver Bells" event.

Commissioner Thomas thanked Calvin Jones for giving him and Commissioner Bossenbery the Red Carpet treatment at the "Silver Bells" event. He said that "Silver Bells" was powerful. He thanked General Manager Lark and the Board of Water & Light for the opportunity to drive the Volt electric car and for allowing him to be "Volted". He welcomed the new Commissioner.

Commissioner Plummer welcomed new Commissioner Cynthia Ward. She thanked General Manager Lark for sharing and informing the Board of Commissioners' of the generosity of the Board of Water & Light's employees.

EXCUSED ABSENCE

None

PUBLIC COMMENTS

There was no Public Comment

ADJOURNMENT

On motion by Commissioner Lain, seconded by Commissioner Plummer the meeting adjourned at 5:58 p.m.