



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

LANSING BOARD OF WATER AND LIGHT

November 15, 2011

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

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

Present: Commissioners Margaret Bossenbery, Dennis Louney, Anthony McCloud, Marilyn Plummer, David Price, Cynthia Ward, Tracy Thomas and Sandra Zerkle.

Absent: None.

The Corporate Secretary declared a quorum present.

Commissioner Cynthia McCloud led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Plummer seconded by Commissioner Ward to approve the minutes of the Regular Board Meeting minutes of September 27, 2011.

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

There were no communications.

COMMITTEE REPORTS

COMMITTEE OF THE WHOLE November 8, 2011

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 8, 2011.

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

Present: Commissioners Margaret Bossenbery, Dennis M. Louney, Anthony McCloud, Marilyn Plummer, Tracy Thomas, David Price, Cynthia Ward and Sandra Zerkle.

Absent: None

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Bossenbery, seconded by Commissioner Price to approve the Committee of the Whole meeting minutes of September 13, 2011.

Action: Motion Carried

Lower My Bill

General Manager J. Peter Lark provided information on the Board of Water & Light's (BWL) "Lower My Bill" Program that was developed under the leadership of Sue Warren, BWL's Manager of Marketing and Business Strategy. General Manager Lark stated that this is a free program for residential electric customers to help them lower their bills by identifying areas in their homes where they can save money and reduce their energy usage.

General Manager Lark also provided the Board of Commissioners with an updated list of Recycling sites as well as information on the Holiday Light Exchange Program.

REO Town Update

General Manager Lark spoke on the construction of the REO Town Co-Generation Power Plant. He stated that currently the pilings are being installed and that the Depot's exterior is coming along nicely and that the project is on time and on budget. He announced that there is a continuously updated photo gallery of the construction progress of the new plant on the Board of Water & Light's website. General Manager Lark introduced Owner Representative Mr. Peter Kramer.

Mr. Kramer presented a PowerPoint presentation that showcased progress photos and provided a project overview of the REO Town Plant that included the following:

Co-Generation Plant:

- The new plant design process is going well – 45% complete
- Procured over \$60M in direct purchased major equipment. Resulted in direct savings of \$7M to the project.
- Packaged boilers, control systems, emissions monitoring equipment, transformers, black start generators, cooling towers, elevators and switchgear are major elements purchased recently.
- Auger piles saved the BWL over \$300,000 and to date over 400 pilings have been put in place.
- Structural steel and concrete foundations are being bid on this week.
- Foundation and concrete work will begin in mid-December.
- Project is on time and on budget.

REO Town Depot:

- Depot exterior renovations are currently going well.
- Masonry, windows, and wood structural repairs/replacements are the focus of our efforts at this time.
- Interior asbestos and lead paint abatement are ongoing.
- Significant structural repairs were necessary.
- Clay tile roof material was not able to be reused so all new tiles will be placed on the building.
- Building will be used as temporary offices during construction and final interior restoration will occur late in the project schedule.

Schedule:

- November
 - Continue auger piling
 - Complete onsite utilities and temporary roads
 - Continue equipment procurement/purchasing
 - Continue Depot exterior work
 - Pave South Street
- December
 - Begin Plant Foundations
 - Begin Structural Steel Fabrication
 - Start Depot Roofing Replacement
 - Complete Major Equipment Procurement

A copy of the PowerPoint Presentation is on file in the Office of the Corporate Secretary

FRIB

General Manager Lark presented the Board of Commissioners with a copy of the Request for Proposal (RFP) solicitation to serve the electric needs of the Facilities for Rare Isotope Beams (FRIB) and Michigan State University (MSU).

General Manager Lark stated that the RFP is an excellent effort prepared under the leadership of George Stojic, Executive Director of Strategic Planning, and his team that consisted of: Lynn Rouse, Kellee Christensen, Lucas Hayward, Bob Tidd, Tim Rowden, Dave Bolan, Alan Carroll and Chris Knudstrup.

General Manager Lark stated that he feels the Board's response is a great one and believes that the Board of Water & Light has something to offer that other utilities can not and that is looped service. He said if the BWL is not granted the project, we are building a good relation with MSU and promoting consideration for future projects.

A copy of the RFP is on file in the Office of the Corporate Secretary

Environmental Update

General Manager Lark stated that at previous Committee meetings information has been provided to the Board of Commissioners regarding the Environmental Protection Agency's (EPA) implementation of new regulations soon to be imposed on coal powered units.

Mark Matus, Manager of Board of Water & Light's Environmental Services, reviewed the cost and potential impact of regulations under development at the EPA that would impose new requirements on coal-fired power plants. He stated that a lot of the upgrading costs are leading to many utility

companies closing plants due to the excessive cost of meeting the new regulations. He stated the Board of Water & Light is in good shape through 2015 and has been addressing environmental issues that go well beyond the date mentioned. Mr. Lark has directed his administration to develop a long term compliance strategy.

General Manager Lark stated that there is a lot facing the Board of Water & Light and all utilities that operate in the United States. There is a little more flexibility for us in that our units are older and close to retirement and the fact that we are building something new would give us many options. The gas plant that we are building will give us the flexibility that we need to be able to retire a unit or two, if that is called for.

Other

General Manager Lark introduced Doug Wood, Executive Director of Electric Operations. He stated that Mr. Wood is in charge of generation, transmission and distribution (T&D). Mr. Wood contracted with UMS Group an international utility management consulting firm, that has over 400 clients' world wide, to perform an assessment of the Board of Water & Light's T&D system. After being compared to top companies of similar size across five continents the Board of Water & Light was rated as a top performer in transmissions and reliability. General Manager Lark thanked Doug Wood and the Board of Water & Light's staff on their exceptional work performance.

Absence

None

Adjourn

On Motion by Commissioner Zerkle, seconded by Commissioner Plummer, the meeting adjourned at 6:25 p.m.

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

FINANCE COMMITTEE November 8, 2011

The Finance Committee of the Board of Water and Light met at the Executive Offices, Lansing beginning at 6:35 p.m. on Tuesday, November 8, 2011.

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 alternate committee member Sandra Zerkle were present. Also present was Board member Cynthia Ward and Anthony McCloud.

Absent: David Price

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Louney, seconded by Commissioner Plummer to approve the Finance Committee meeting minutes of September 13, 2011.

Action: Carried unanimously.

Quarterly Financial Update

General Manager Lark provided a quarterly financial update that included information relative to Fiscal Year to date of September 30, 2011 for Electric, Water, Steam and Chilled Water services.

Rate Proposal

General Manager Lark presented the Commissioners with a packet of information regarding the rate recommendations. The following resolution was presented to the Board of Commissioners for consideration:

Proposed Resolution Public Hearing for 2012 Rate Adjustments

WHEREAS, the Corporate Financial Targets for each of the Lansing Board of Water and Light's strategic business units is a 6.18% return on net fixed assets and materials and supplies that would require \$12.3 million of water net income and \$2.8 million of steam net income; and

WHEREAS, the Fiscal Year 2012 budget filed with the City of Lansing included the proposed rate increases for the water and steam utilities; and

WHEREAS, the Fiscal Year 2012 budget with the proposed rate adjustments would result in a water net loss of \$690,000 or a negative 0.35% return on net fixed assets and materials and supplies; and

WHEREAS, the Fiscal Year 2012 budget with the proposed rate adjustments would result in a steam net loss of \$2.4 million or a negative 5.51% return on net fixed assets and materials and supplies; and

WHEREAS, the Staff proposes to increase annual water billings by \$2.5 million; and

WHEREAS, the Staff proposes to increase annual steam billings by \$0.8 million; and

WHEREAS, BWL production facilities produce electricity to serve the needs of BWL retail customers; and

WHEREAS, BWL electricity production occasionally exceeds the requirements of retail customers and the excess is sold on the wholesale power market; and

WHEREAS, sales of excess electricity production in the wholesale market is an integral part of providing electric service to BWL retail customers, and should not be treated as a stand-alone business; and

WHEREAS, to recognize that wholesale sales are integral to BWL electric operations, the Staff proposes offsetting revenue-neutral rate adjustments, decreasing the electric ECA by \$0.0035 per kWh and increasing electric commodity charges by \$0.0035 per kWh; and

WHEREAS, the proposed rate adjustments will not take effect until March 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 19, 2012 at 5:30 p.m. 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 5, 2011 information regarding proposed rate adjustments with an effective date of March 1, 2012.

After a lengthy discussion regarding the proposed rates the following motion was made.

Motion by Commissioner Plummer, seconded by Commissioner Louney to forward the proposed resolution to set a Public Hearing to consider input on proposed rate adjustment.

Action: Motion Carried

General Manager Lark's PowerPoint presentation is on file in the Office of the Corporate Secretary

Financial Information

Finance Chair Bossenbery stated that she would like to propose that at the end of every quarter that the Corporate Secretary and Internal Auditor submit Quarterly Expense Reports to the Board of Commissioners

Motion by Commissioner Zerkle, seconded by Commissioner Plummer, that the Corporate Secretary and the Internal Auditor prepare Quarterly Reports and distribute them to the entire Board of Commissioners.

Action: Motion Carried

For the Record:

Finance Chair Bossenbery stated that in the future, Internal Auditor Phil Perkins will send the final audit reports to each Commissioner when they are completed. The Commissioners should contact the Internal Auditor with any questions they may have on the audit reports.

Finance Chair Bossenbery stated that the contract of Charles Moores, the outside Internal Audit service provider, may need to be revisited due to higher average rates being assessed.

Internal Auditor Status Update

Internal Auditor Phil Perkins presented a brief overview of :

Recent Events/Accomplishments

- FY2011 – Primary activity was the performance of Risk/Scoping Assessments for seven accounting activities:
 - Cash & Treasury
 - Commitments & Contingencies

- Equity Accounts
- Expenditures and Accounts Payable
- Inventories
- Record & Monitor Debt
- Taxes
- Loss of Associate Auditor Position
- Monthly Update Meetings with the Assistant General Manager & CFO
- Annual Audit Planning for FY2012

FY2012 Audit Plan Status

Completed Audits:

1. P-Card Management
2. Surprise Cash Count (first of two)

Audits In Progress:

1. Procurement (75% complete)
2. Payroll (67% complete)

Planned Audits Remaining:

1. Capital Assets Accounting
2. Billing
3. Information Technology – Information Gathering/Preliminary Risk Assessment
4. Surprise Cash Count #2
5. Other – External Peer Review

Excused Absence

On **motion** by Commissioner Louney, seconded by Commissioner Plummer, to excuse the absence of Commissioner David Price.

Action: Carried unanimously

Other

None

There being no further business, the meeting adjourned at 7:23 p.m.

Respectfully submitted
Margaret Bossenbery, Chair
Finance Committee

EXECUTIVE COMMITTEE November 15, 2011

The Executive Committee of the Board of Water and Light met at the Board of Water & Light's Board Room, 1233 Haco Dr., Lansing, MI, at 4:30 p.m. on Tuesday, November 15, 2011.

Executive Committee Chair Sandra Zerkle called the meeting to order. The following committee members were present: Commissioners Sandra Zerkle, Dennis Louney, Margaret Bossenbery and Tracy Thomas. Also present were Board Members Cynthia Ward and Marilyn Plummer.

Absent: None.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Louney, seconded by Commissioner Thomas to approve the minutes of the December 4, 2009 Executive Committee meeting.

Action: Carried unanimously.

Discussion on the Distribution of Proposed/Preliminary Board Meeting Minutes

After discussion regarding the rules and the process for the distribution of the Board Meeting minutes Chair Zerkle stated for the record that the distribution of the Preliminary/Proposed Board meeting shall be distributed according to Board of Water & Light's City Council approved Rules of Procedure and Charter provisions.

There being no further business, the meeting adjourned at 4:35 p.m.

Respectfully submitted,
Sandra Zerkle, Chair
Executive Committee

HUMAN RESOURCE COMMITTEE November 15, 2011

The Human Resource Committee of the Lansing Board of Water and Light met at the Board of Water & Light's Board Room, 1233 Haco Dr., Lansing, MI, at 4:45 p.m. on Tuesday, November 15, 2011.

Human Resource Committee Chairperson Tracy Thomas called the meeting to order and asked the Secretary to call the roll. The following members were present: Commissioners Tracy Thomas, Anthony McCloud, Cynthia Ward and Sandra Zerkle. Also present were Commissioners Margaret Bossenbery, Dennis M. Louney and David Price.

Absent: None

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Ward, seconded by Commissioner Zerkle to approve the Human Resource Committee meeting minutes of May 17, 2011.

Action: Carried unanimously.

Health Care

General Manager Lark provided the Committee with information on Public Act 152 of 2011. This Act limits the amount that a public employer, which includes municipalities, may pay for employee health care insurance. As a result employees are responsible for a larger portion of their health care cost. This Act does require a Board of Commissioners vote no later than July 2012, to become effective September 2012.

General Manager Lark presented and reviewed the following options for the Board to consider for the implementation of the new Public Act:

- Limit expenditures on health care cost based on a schedule of dollars provided
- Limit expenditures on health care cost based on 80/20 percentage splits
- Exempt itself entirely from the Act

After a lengthy discussion Commissioner Bossenbery stated that she does not want to commit to the cap option where the Board does nothing. Vice Chair Dennis M. Louney stated that he is not in favor of the cap, but does want it to be included on the list of options and wants the consideration of the cap option to be known and part of the public record.

General Manager Lark stated that he would like to bring the retirees in-line with the rest of the Board of Water & Light employees with respect to deductibles for office visits, emergency room visits and prescription drugs.

Human Resource Chair Thomas asked that the Commissioner take the information that has been presented to them and peruse it and then contact General Manager Lark or his Administration with any suggestions or questions.

General Manager Lark restated that this issue requires a 2/3 vote and will most likely be presented before the Committee of Whole in January.

Other

There being no further business, the Human Resource Committee meeting adjourned at 5:28 p.m.

Respectfully submitted,
Tracy Thomas, Chair
Human Resource Committee

MANAGER'S RECOMMENDATIONS

General Manager Lark respectfully requested that the Board of Commissioners approve of the following resolutions.

RESOLUTION #2011-11-01

Resolution

Public Hearing for 2012 Rate Adjustments

WHEREAS, the Corporate Financial Targets for each of the Lansing Board of Water and Light's strategic business units is a 6.18% return on net fixed assets and materials and supplies that would require \$12.3 million of water net income and \$2.8 million of steam net income; and

WHEREAS, the Fiscal Year 2012 budget filed with the City of Lansing included the proposed rate increases for the water and steam utilities; and

WHEREAS, the Fiscal Year 2012 budget with the proposed rate adjustments would result in a water net loss of \$690,000 or a negative 0.35% return on net fixed assets and materials and supplies; and

WHEREAS, the Fiscal Year 2012 budget with the proposed rate adjustments would result in a steam net loss of \$2.4 million or a negative 5.51% return on net fixed assets and materials and supplies; and

WHEREAS, the Staff proposes to increase annual water billings by \$2.5 million; and

WHEREAS, the Staff proposes to increase annual steam billings by \$0.8 million; and

WHEREAS, BWL production facilities produce electricity to serve the needs of BWL retail customers; and

WHEREAS, BWL electricity production occasionally exceeds the requirements of retail customers and the excess is sold on the wholesale power market; and

WHEREAS, sales of excess electricity production in the wholesale market is an integral part of providing electric service to BWL retail customers, and should not be treated as a stand-alone business; and

WHEREAS, to recognize that wholesale sales are integral to BWL electric operations, the Staff proposes offsetting revenue-neutral rate adjustments, decreasing the electric ECA by \$0.0035 per kWh and increasing electric commodity charges by \$0.0035 per kWh; and

WHEREAS, the proposed rate adjustments will not take effect until March 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 19, 2012 at 5:30 p.m. 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 5, 2011 information regarding proposed rate adjustments with an effective date of March 1, 2012.

Motion by Commissioner Bossenbery, seconded by Commissioner Price, to approve the resolution to set the Public Hearing for January 19, 2012 at 5:30 p.m. to solicit input on the proposed rate adjustments with an effective of March 1, 2012.

Action: Carried unanimously

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTIONS

There were no Resolutions under this section.

MANAGER'S REMARKS

General Manager Lark stated that the plans for the "Pennies for Power" fundraiser, "Dancing with the Board of Water & Light Stars" event are in process at the recommendation of Chair Zerkle.

"Silver Bells in the City" is this Friday, November 18th and the Board of Water & Light is the proud signature sponsor of this event, also a "Toys for Tots" program in run conjunction with the "Silver Bells" event.

COMMISSIONERS' REMARKS

Commissioner Plummer stated that she looks forward to the Annual "Silver Bells" parade; it is a highlight of downtown. She thanked all the Board of Water & Light employees who make this event happen.

Commissioner Thomas stated that he has served on the Holiday Commission for many years and is very proud to have Mr. Lark as a committee member. He also announced that he Delta Township Young Persons of the Year Committee recognized Calvin Jones as one of their awardees.

PUBLIC COMMENTS

Madeline Trimby of 123 Windy Rush Lane, DeWitt, MI, stated concerns that she had a leaking water main that caused damages to her driveway.

General Manager Lark referred Mrs. Trimby to Dick Peffley, Executive Director of Water Operations and Special Projects.

EXCUSED ABSENCE

None

ADJOURNMENT

On motion by Commissioner Thomas, seconded by Commissioner Price the meeting adjourned at 5:51 p.m.