



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING
LANSING BOARD OF WATER AND LIGHT

May 24, 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, Frank Lain, Dennis Louney, Marilyn Plummer David Price, Cynthia Ward, Tracy Thomas and Sandra Zerkle.

Absent: Commissioner Lain.

The Corporate Secretary declared a quorum present.

Commissioner Ward led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Plummer seconded by Commissioner Price to approve the minutes of the Regular Board Meeting minutes of March 2, 2011 and the Special Board Meeting minutes of May 10, 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

None

COMMITTEE REPORTS

COMMITTEE OF THE WHOLE April 12, 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, April 12, 2011.

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

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

Absent: Commissioner David Price

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Bossenbery seconded by Commissioner Ward to approve the Committee of the Whole meeting minutes of March 8, 2011.

Action: Carried unanimously.

Be Well for Life

General Manager Lark introduced Michael Flowers, Director of Human Resources who reviewed the Board of Water & Light's (BWL) newly implemented "Be Well for Life" wellness program.

Michael Flowers reviewed the objectives and action plan for the "Be Well for Life" health and wellness program that was recently unveiled to Board of Water & Light's employees. He stated that this is a program to engage employees to become active and healthier. He stated there has been a total of 371 BWL employees to go through the "Be Well for Life" presentation and approximately 206 employees have signed up to-date.

Mr. Flowers also reviewed the Electronic Support System, the Healthspot Kiosk, the Performance Rewards and the Progress Report as well as the Privacy and Anonymity of the program. He stated that this wellness and fitness program is a great morale builder.

General Manager Lark stated that he has received a lot of positive feedback and people seem to be excited about the program.

Mobile Resources Management Update

General Manager Lark introduced Nick Burwell, Director of Information Technology who reviewed the new Mobile Resource Management (MRM)

program, a work management program that involves the placement of laptop computers in trucks. Mr. Lark stated that Laura Briggs of the Information Technology Department has spent a lot of time on this project.

Nick Burwell, stated that the one of the advantages of MRM is Automatic Vehicle Locating (AVL), which is a device placed in the truck that identifies exactly where a vehicle is and how it is traveling around the system which is an advantage to the BWL in case of an emergency or a job that needs immediate attention. With AVL, the BWL can determine and route the closest vehicle to the situation at hand.

Another advantage of the MRM program is replacing the paper system in the Board of Water & Light's water, steam, electric delivery, electric metering, tree trimming and customer account representative's areas. This program helps the workers create a map for their daily route that is based on the amount of time that is allocated to each job.

Mr. Burwell stated this system that will help the BWL be more efficient, safer and save money.

REO Town Update (Informational Only)

Susan Devon, Assistant General Manager and Chief Financial Officer, and Project Director for the REO Town New Co-generation Plant stated that Burns and Roe Enterprise design work is progressing very well with the assistance of the Board of Water & Light's team. Currently, they are putting together the specifications for major pieces of equipment, such as the steam boiler and the combustion and steam turbines.

Ms. Devon stated that a Request for Qualifications (RFQ) has been sent out for the Construction Manager, the company that will actually build the plant, and that a total of 7 responses have been received. That list will be narrowed down and a Request for Proposal (RFP) will be sent out. The Construction Manager is expected to be selected by the middle of May.

The request for architectural services for the interior of the office building was also sent out and the responses are due soon.

An RFP was also sent out for architectural services for the Depot, in which 9 responses have been received and a selection will be made from that pool.

Ms. Devon stated there has been a halt in the acquisition of the Historical Tax Credit because it looks like the Board of Water & Light is not going to fit into any of the qualifications based on a review of the Governor's budget.

Ms. Devon stated that the BWL is moving forward on the final Bonding process for the Underwriting Service. Currently the Board of Water & Light's team is working with the Bond Advisor to finalize the official statement which is in draft form. The Board is also preparing the presentation for the rate agency meeting on April 27, 2011.

Chili Cook-Off Update

Calvin Jones, Director of Public Relations and Diversity, informed the Board of Commissioners' that this year's Chili Cook-Off will be held on Saturday, June 4, 2011 from 4:00 to 9:00 p.m. at the Adado Riverfront Park. Mr. Jones reviewed the charitable recipients and Chili Cook-Off members. He also gave special thanks to the Board of Water & Light's staff that assists with the success of the event.

Other

General Manager Lark announced there will be a groundbreaking ceremony on April 19th at 10:00 a.m. for the new Great Lakes Center for Utility Training. This is a partnership between Lansing Community College (LCC) and BWL. The BWL name will be on the facility.

Dallas Burdick, Manager of Organizational Development & Training, stated that LCC and BWL have a long partnership with training apprentices and working to develop the work force. He said together we have created a training center which will benefit Board of Water & Light's employees directly because various training will be done at this facility. This facility will also open up training that is not available to other utilities and students that want to move into line work and related utility industry work.

Lansing Community College is creating a curriculum and students will be able to obtain a utility certificate of training.

Excused Absence

Motion by Commissioner Zerkle seconded by Commissioner Thomas to excuse Commissioner Price from tonight's meeting.

Action: Carried Unanimously.

Adjourn

On Motion by Commissioner Thomas, seconded by Commissioner Bossenbery, the meeting adjourned at 6:15 p.m.

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

FINANCE COMMITTEE

April 12, 2011

The Finance Committee of the Board of Water and Light met at the Executive Offices, beginning at 6:25 p.m. on Tuesday, April 12, 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 Tracy Thomas. Alternate committee members Commissioners Cynthia Ward and Sandra Zerkle were present.

Absent: None

Public Comments

There were no public comments.

Excused Absence

None

Approval of Minutes

Motion by Commissioner Plummer, seconded by Commissioner Louney to approve the Finance Committee meeting minutes of March 8, 2011.

Action: Carried unanimously.

Eleventh Supplement Revenue Bond Resolution

General Manager Lark stated that the proposed resolution for the Eleventh Supplemental Revenue Bond Resolution relates to the proposed Bond Issuance that would fund the REO Town Plant. In August the Board approved the resolution to publish notice of the proposed bond issuance which is required. After publication of that notice, potential objecting parties had 45 days to oppose the proposed bond Issuance by referendum and there were no entities suggesting that we undertake a referendum.

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

General Manager Lark stated that he felt that it would be in the best interest of the Board if we had a Special Board Meeting on May 10th following the regularly scheduled Committee of the Whole and Finance Committee meetings to handle the business of the proposed resolution.

Lansing Board of Water and Light

ELEVENTH SUPPLEMENTAL REVENUE BOND RESOLUTION

A RESOLUTION TO AUTHORIZE:

- Issuance of up to \$250,000,000 of Series 2011A Bonds for Moores Park Replacement Cogeneration Plant, System improvements,
Capitalized Interest and costs of issuance;
- Appointment of senior managing underwriter;

- Chief Financial Officer to sell Series 2011A Bonds without further resolution;
- Other matters relative to issuance, sale and delivery of Series 2011A Bonds.

WHEREAS, the City of Lansing acting by and through the Lansing Board of Water and Light has previously issued its revenue bonds payable from revenues of the water supply, steam, chilled water and electric utility System under the provisions of Act 94, Public Acts of Michigan, 1933, as amended, and a Bond Resolution amended and restated on October 24, 1989 and further amended and supplemented from time to time; and

WHEREAS, all terms not defined herein shall have the meanings set forth in the Bond Resolution; and

WHEREAS, it is necessary for the public health, safety and welfare of the residents of the City and the users of the System to acquire and construct the Series 2011A Project (as defined below); and

WHEREAS, on August 4, 2010, the Board published in the *City Pulse* a Notice of Intent to Issue Revenue Bonds and Right to Petition for Referendum describing revenue bonds to be issued to finance costs of the Series 2011A Project, and no petitions requesting referendum as described in the Notice were filed with the City Clerk; and

WHEREAS, the conditions and requirements of the Bond Resolution for the issuance of Additional Bonds of equal standing and priority of lien with outstanding bonds have been met for the issuance of the proposed revenue bonds, and the Board is ready to authorize issuance of the first series of revenue bonds to finance the Series 2011A Project.

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. Definitions. All terms not defined herein shall have the meanings set forth in the Bond Resolution, and whenever used in this Bond Resolution, except when otherwise indicated by the context, the following terms shall have the following meanings:

- (a) "Additional Bonds" means any Additional Bonds of equal standing with the Series 2008A Bonds and the Series 2011A Bonds issued pursuant to Section 18(a) of the Bond Resolution as amended by Section 13 of the Tenth Supplemental Revenue Bond Resolution.
- (b) "Bond Resolution" means the Bond Resolution adopted by the Board on September 26, 1989, as amended and restated on October 24, 1989 and supplemented by the First Supplemental Revenue Bond Resolution adopted by the Board on October 26, 1993, the Second Supplemental Revenue Bond Resolution adopted by the Board on January 11, 1994, the Third Supplemental Revenue Bond Resolution adopted on September 2, 1999, the Fourth Supplemental Revenue Bond Resolution adopted October 26, 1999 and amended on August 12, 2008 and June 9, 2009, the Fifth Supplemental Bond Resolution adopted by the Board April 24, 2001, the Sixth Supplemental Revenue Bond Resolution adopted

by the Board on July 23, 2002, the Seventh Supplemental Bond Resolution adopted by the Board on July 23, 2002, the Eighth Supplemental Revenue Bond Resolution adopted on August 12, 2003, the Ninth Supplemental Revenue Bond Resolution adopted on July 26, 2005, the Tenth Supplemental Revenue Bond Resolution adopted on January 29, 2008, and this Eleventh Supplemental Revenue Bond Resolution, and any other resolution which amends or supplements the Bond Resolution.

- (c) "Bonds" means the Series 2008A Bonds and the Series 2011A Bonds and any Additional Bonds of equal standing hereafter issued.
- (d) "Chief Financial Officer" means the Assistant General Manager and Chief Financial Officer of the Board.
- (e) "Reserve Requirement" shall mean the Reserve Requirement established by Section 11 of the Tenth Supplemental Revenue Bond Resolution and described in Section 10 herein.
- (f) "Series 1999-2005 Bonds" means: the Water Supply, Steam and Electric Utility System Revenue Bonds, Series 1999A, the Water Supply, Steam and Electric Utility System Revenue Bonds, Series 2002A, the Water Supply, Steam and Electric Utility System Revenue Refunding Bonds, Series 2002B, the Water Supply, Steam and Electric Utility System Revenue Refunding Bonds, Series 2003A, and the Water Supply, Steam and Electric Utility System Revenue Refunding Bonds, Series 2005A.
- (g) "Series 2008A Bonds" means the Water Supply, Steam, Chilled Water and Electric Utility System Revenue Bonds, Series 2008A.
- (h) "Series 2011A Bonds" means the Utility System Revenue Bonds, Series 2011A issued pursuant to this Eleventh Supplemental Revenue Bond Resolution.
- (i) "Series 2011A Construction Fund" shall mean the Series 2011A Construction Fund established pursuant to this Eleventh Supplemental Revenue Bond Resolution.
- (j) "Series 2011A Project" means the acquisition and construction of a Moores Park Replacement Cogeneration Plant, a combined cycle natural gas facility producing steam and electricity including two combined cycle sets, each set consisting of a combustion turbine, a heat recovery steam generator, a steam turbine and an auxiliary boiler to provide backup steam service, and System improvements including, but not limited to, construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements.

- (k) "System" means the complete facilities of the Board for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, including all plants, works, instrumentalities and properties used or useful in connection with the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, and all additions, extensions and improvements thereto existing or hereafter acquired by the Board.

Section 2. Conditions Permitting Issuance of Additional Bonds. The Bond Resolution establishes requirements for the issuance of Additional Bonds of equal standing and priority of lien with the Outstanding Series 1999-2005 Bonds and Outstanding Series 2008A Bonds. Until payment or defeasance in full of the Outstanding Series 1999-2005 Bonds, the Board must comply with the additional bonds test required by Section 18(a) of the Bond Resolution as amended by Section 6 of the Second Supplemental Revenue Bond Resolution. The Series 2011A Bonds can be issued as Additional Bonds pursuant to the requirements of the Bond Resolution if the Board determines that the actual or augmented Net Revenues for the fiscal year ending not more than 15 months prior to the sale of Additional Bonds are equal to at least one hundred fifty (150%) percent of the maximum Aggregate Debt Service Requirement in any current or future fiscal year on the Outstanding Bonds and on the Additional Bonds. Section 18(a) permits Net Revenues to be augmented if the System rates, fees or charges were increased prior to the time of authorizing the Additional Bonds. On January 25, 2011 the Board enacted rate increases. The Board has obtained the opinion of a Consulting Engineer on the amount of Net Revenues which would have resulted for the fiscal year ending June 30, 2010 had the System's billings during such time been at the increased rates. The Board has also obtained schedules prepared by Robert W. Baird & Co. (the "Financial Advisor") showing the maximum Aggregate Debt Service Requirement on the Outstanding Bonds and the Series 2011A Bonds if the Series 2011A Bonds are issued within the parameters of this resolution.

Based on the opinion of the Consulting Engineer and the schedules provided by the Financial Advisor, the Board hereby determines that the augmented Net Revenues for the fiscal year ending June 30, 2010 are equal to at least 150% of the maximum Aggregate Debt Service Requirement in any current or future fiscal year on the Outstanding Bonds and the Series 2011A Bonds.

The Board hereby determines that the Board is not in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

Section 3. Necessity; Preliminary Approval of Plans; and Statement of Purpose. It is hereby determined to be a necessary public purpose of the Board to acquire and construct the Series 2011A Project in accordance with the plans and specifications prepared by the Board's consulting engineers, which plans and specifications are hereby approved.

Section 4. Costs; Useful Life. The total cost of the Series 2011A Project is estimated to be not-to-exceed Two Hundred Fifty Million Dollars (\$250,000,000) including the payment of capitalized interest and incidental

expenses as specified in Section 5 of this resolution, which estimate of cost is hereby approved and confirmed, and the period of usefulness of the Series 2011A Project is estimated to be not less than thirty (30) years.

Section 5. Payment of Cost of Project; Bonds Authorized; Applicable Law. To pay part of the cost of acquiring and constructing all or a portion of the Series 2011A Project, including payment of all legal, engineering, financial and other expenses incident thereto and incident to the issuance and sale of the Series 2011A Bonds and capitalized interest in the amount to be determined at the time of sale of the Series 2011A Bonds, the City, acting by and through the Board, shall borrow the sum of not-to-exceed Two Hundred Fifty Million Dollars (\$250,000,000) and shall issue the Series 2011A Bonds therefor pursuant to the provisions of Act 94. The remaining cost of the Series 2011A Project, if any, shall be defrayed from funds on hand and legally available for such use, or, if the principal amount of the Series 2011A Bonds is less than \$250,000,000, from an additional series of bonds to be issued upon approval of a future resolution. The Series 2011A Bonds shall be sold and the proceeds applied in accordance with the provisions of Act 94.

The capitalized interest to be paid from proceeds of the Series 2011A Bonds shall not exceed the amount necessary to pay interest for three years, as finally determined at the time of sale of the Series 2011A Bonds.

Section 6. Series 2011A Bond Details. The Series 2011A Bonds shall be designated as the "Utility System Revenue Bonds, Series 2011A" and shall be payable solely out of the Net Revenues of the System. City Council shall not be requested to pledge the full faith and credit of the City for payment of the Series 2011A Bonds. The Series 2011A Bonds shall be issued as fully registered bonds registered in the denomination of \$5,000 or integral multiples thereof and shall be numbered in consecutive order of registration or authentication from 1 upwards. The Series 2011A Bonds shall be dated as of the date of delivery thereof or such other date as determined at the time of sale of the Series 2011A Bonds, shall mature as serial bonds or term bonds on such dates as shall be determined at the time of sale of the Series 2011A Bonds but not-to-exceed thirty (30) annual maturities.

The Series 2011A Bonds shall be subject to optional or mandatory redemption prior to maturity at the times and prices finally determined at the time of sale of the Series 2011A Bonds.

The Series 2011A Bonds shall bear interest at a rate or rates to be determined on sale thereof, payable on January 1, 2012, or such other date as provided at the time of sale of the Series 2011A Bonds, and semi-annually thereafter on January 1st and July 1st of each year, provided, however, that the first interest payment date shall be not later than ten months following the delivery date of the Series 2011A Bonds.

The Series 2011A Bonds shall be executed by the manual or facsimile signature of the Chairperson and the Corporate Secretary of the Board. No Series 2011A Bond shall be valid until authenticated by an authorized representative of the Transfer Agent. The Series 2011A Bonds shall be delivered to the Transfer Agent for authentication and be delivered by the Transfer Agent to the purchaser in accordance with instructions from the Chief

Financial Officer upon payment of the purchase price for the Series 2011A Bonds in accordance with the bid therefor when accepted. Executed blank bonds for registration and issuance to transferees shall be delivered to the Transfer Agent for safekeeping from time to time as necessary.

Section 7. Registration and Transfer. The Chief Financial Officer is hereby authorized to appoint as transfer agent for the Series 2011A Bonds a bank or trust company qualified to act as bond registrar, paying agent and transfer agent (the "Transfer Agent"). The Chief Financial Officer is hereby authorized to execute one or more agreements with the Transfer Agent on behalf of the Board. The Board reserves the right to replace the Transfer Agent at any time, provided written notice of such replacement is given to the registered owners of record of bonds not less than sixty (60) days prior to an interest payment date. Principal of and interest on the Series 2011A Bonds shall be payable by check or draft mailed by the Transfer Agent to the registered owner at the registered address as shown on the registration books of the Board maintained by the Transfer Agent. Interest shall be payable to the person or entity who or which is the registered owner of record as of the fifteenth (15th) day of the month prior to the payment date for each interest payment. The date of determination of the registered owner for purposes of payment of interest as provided in this paragraph may be changed by the Board to conform to market practice in the future.

The Series 2011A Bonds may be issued in book-entry-only form through The Depository Trust Company in New York, New York ("DTC"), and the Chief Financial Officer is authorized to execute such custodial or other agreement with DTC as may be necessary to accomplish the issuance of the Series 2011A Bonds in book-entry-only form and to make such changes in the form of the Series 2011A Bonds within the parameters of this resolution as may be required to accomplish the foregoing. Notwithstanding the foregoing, if the Series 2011A Bonds are held in book-entry-only form by DTC, payment of principal of and interest on the Series 2011A Bonds shall be made in the manner prescribed by DTC.

The Series 2011A Bonds may be transferred upon the books required to be kept by the Transfer Agent pursuant to this section by the person or entity in whose name it is registered, in person or by the registered owner's duly authorized attorney, upon surrender of the bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Transfer Agent. Whenever any bond shall be surrendered for transfer, the Board shall execute and the Transfer Agent shall authenticate and deliver a new bond of the same series in like aggregate principal amount, maturity and interest rate. The Transfer Agent shall require the payment by the bondholder requesting the transfer of any tax or other governmental charge required to be paid with respect to the transfer. Notwithstanding the foregoing, if Bonds are held by DTC in book-entry-only form, the transfer of Bonds shall be made in the manner prescribed by DTC.

Upon payment by the Board of all outstanding principal of and interest on the Series 2011A Bonds, the registered owner thereof shall deliver the Series 2011A Bonds to the Board for cancellation.

Section 8. Deposit to Bond Reserve Account. On or prior to the date of delivery of the Series 2011A Bonds, the Board shall deposit into the Bond Reserve Account any amount necessary to cause the amount on deposit in the Bond Reserve Account to be equal to the Reserve Requirement. The Board may meet the Reserve Requirement by a letter of credit, a surety bond, or an insurance policy if the provider or issuer thereof shall be rated AAA by Moody's Investors Service and Standard and Poor's Corporation or any successor to either, and the Chief Financial Officer is hereby authorized to execute an agreement with the provider or issuer of the letter of credit, surety bond, or insurance policy.

Section 9. Series 2011A Bond Proceeds; Construction Fund. From the proceeds of sale of the Series 2011A Bonds there first shall be immediately deposited in the Redemption Fund an amount equal to the accrued interest and premium, if any, received on delivery of the Series 2011A Bonds, and the Board may take credit for the amount so deposited against the amount required to be deposited in the Redemption Fund for payment of the next maturing interest on the Series 2011A Bonds; provided, however, that at the discretion of the Chief Financial Officer, all or a portion of any premium received upon delivery of the Series 2011A Bonds may be deposited in the Bond Reserve Account or the Series 2011A Construction Fund in consultation with Bond Counsel.

The capitalized interest shall next be deposited in the Redemption Fund, and the Board may take credit for the amount so deposited against the amount required to be deposited in the Redemption Fund for payment of interest on the Series 2011A Bonds.

There shall next be deposited in the Bond Reserve Account an amount, if any, designated at the time of sale of the Series 2011A Bonds as necessary to cause the amount on deposit in the Bond Reserve Account to be equal to the Reserve Requirement.

The remaining proceeds of the Series 2011A Bonds shall be deposited in the Series 2011A Construction Fund which shall be established by the Chief Financial Officer in a bank or banks qualified to act as depository of the proceeds of sale under the provisions of Section 15 of Act 94. Monies in the Construction Fund shall be applied solely in payment of the portion of the cost of the Series 2011A Project being financed with proceeds of the Series 2011A Bonds and any costs of engineering, legal, financial, bond insurance premiums and other expenses incident thereto and to the issuance of the Series 2011A Bonds.

Any unexpended balance of the proceeds of sale of the Series 2011A Bonds remaining in the Construction Fund after completion of the Series 2011A Project may, in the discretion of the Chief Financial Officer, be deposited to the Bond Reserve Account in order to meet the Reserve Requirement, or be used for further improvements, enlargements and extensions to the System. Any balance remaining after such expenditure shall be paid into the Redemption Fund for the purpose of calling Series 2011A Bonds for redemption or for the purpose of purchasing Series 2011A Bonds on the open market at not more than the fair market value thereof but not more than the price at which the Series 2011A Bonds may next be called for redemption.

Section 10. Reserve Requirement. Until payment or defeasance in full of the Outstanding Series 1999-2005 Bonds, the Board must comply with the Reserve Requirement as defined in Section 1 (ff) of the Bond Resolution as amended and restated on October 24, 1989, which is the lesser of (a) the maximum Aggregate Debt Service Requirement for the then current and any subsequent operating year and (b) ten percent of the aggregate proceeds of all Outstanding Bonds. After payment or defeasance in full of the Outstanding Series 1999-2005 Bonds, "Reserve Requirement" shall mean the following as established by Section 11 of the Tenth Supplemental Revenue Bond Resolution: the lesser of (i) the maximum annual debt service requirements on the Outstanding Bonds, (ii) 125% of the average annual debt service requirements on the Outstanding Bonds, or (iii) the total of 10% of the original aggregate face amount of each series of the Outstanding Bonds, reduced by the net original issue discount, if any; provided, however, that the Reserve Requirement shall not at any time exceed the amount allowed to be invested at an unrestricted yield pursuant to Treas. Reg. Section 1.148 2(f)(2) or any successor provision thereto as applicable to the Bonds.

Section 11. Rate Covenant. Until payment or defeasance in full of the Outstanding Series 1999-2005 Bonds, the Board will comply with the Section 9 of the Bond Resolution, as previously amended by Section 5 of the Second Supplemental Revenue Bond Resolution, and the Board will at all times fix, establish, maintain and collect rates, fees and charges for the sale of the output, capacity, use or service of the System which, together with other income, are reasonably expected to yield Net Revenues equal to at least 150% of the Aggregate Debt Service Requirement for the forthcoming twelve month period plus such amount as is necessary to comply with all covenants in the Bond Resolution and to pay all charges and liens whatsoever payable out of Net Revenues in such period.

After payment or defeasance in full of the Outstanding Series 1999-2005 Bonds, the following provision shall apply as provided in Section 12 of the Tenth Supplemental Revenue Bond Resolution. The Board will at all times fix, establish, maintain and collect rates, fees and charges for the sale of the output, capacity, use or service of the System which, together with other income, are reasonably expected to yield Net Revenues equal to at least 125% of the Aggregate Debt Service Requirement for the forthcoming twelve month period plus such amount as is necessary to comply with all covenants in the Bond Resolution and to pay all charges and liens whatsoever payable out of Net Revenues in such period.

Section 12. Additional Bonds Test. Until payment or defeasance in full of the Outstanding Series 1999-2005 Bonds, the Board must comply with the additional bonds test imposed by Section 6 of the Second Supplemental Revenue Bond Resolution adopted January 11, 1994. After payment or defeasance in full of the Outstanding Series 1999-2005 Bonds, the following provision shall apply as provided in Section 13 of the Tenth Supplemental Revenue Bond Resolution.

The right is reserved, in accordance with the provisions of Act 94, to issue additional bonds payable from the Net Revenues of the System which shall be of equal standing and priority of lien on the Net Revenues of the System with the

Bonds, but only for the following purposes and under the following terms and conditions:

(a) For repairs, extensions, enlargements and improvements to the System or for the purpose of refunding a part of any Outstanding Bonds (unless such partial refunding is done in compliance with (b) below) and paying costs of issuing such Additional Bonds, including deposits which may be required to be made to a bond reserve account. Bonds for such purposes shall not be issued pursuant to this subparagraph (a) unless the actual or augmented Net Revenues of the System for the fiscal year of the System ending not more than 15 months prior to the sale of Additional Bonds shall be equal to at least one hundred twenty-five (125%) percent of the maximum Aggregate Debt Service Requirement in any current or future fiscal year on the Outstanding Bonds and on the Additional Bonds then being issued. If the Additional Bonds are to be issued in whole or in part for refunding Outstanding Bonds, the maximum Aggregate Debt Service shall be determined by deducting from the principal and interest requirements for each operating year the annual Aggregate Debt Service Requirement of any Bonds to be refunded from the proceeds of the Additional Bonds.

Net Revenues may be augmented as follows for the purposes of this subsection (a):

- (1) If the System rates, fees or charges shall be increased at or prior to the time of authorizing the Additional Bonds, the Net Revenues may be augmented by an amount which in the opinion of the Board's financial advisor will reflect the effect of the increase had the System's billings during such time been at the increased rates.
- (2) The actual Net Revenues may be augmented by the estimated increase in Net Revenues which in the opinion of the Board's financial advisor will accrue as a result of new customers which have not been serviced during the fiscal year described in paragraph (a) above or as a result of the acquisition of the repairs, extensions, enlargements and improvements to the System which have been made during or subsequent to the fiscal year described in paragraph (a) above or which will be acquired in whole or in part from the proceeds of the Additional Bonds to be issued.

No Additional Bonds of equal standing as to the Net Revenues of the System shall be issued pursuant to the authorization contained in subparagraphs (a) or (c) if the Board shall then be in default in making its required payments to the Operation and Maintenance Fund or the Redemption Fund.

Additional Bonds may be issued as provided in Section 18 subparagraphs (b) or (c) of the Bond Resolution.

Section 13. Covenants. The Board covenants and agrees as follows with the holders of the Series 2011A Bonds as long as any of the Series 2011A Bonds remain outstanding and unpaid as to either principal or interest:

- (a) The Board will cause the portion of the Series 2011A Project being financed with proceeds of the Series 2011A Bonds to be acquired and constructed promptly and in accordance with the plans and specification therefor.
- (b) The Board covenants and agrees with the Registered Owners of the Series 2011A Bonds that as long as any of the Series 2011A Bonds remain outstanding and unpaid as to either principal or interest, the Board shall not invest, reinvest or accumulate any moneys deemed to be proceeds of the Series 2011A Bonds pursuant to the Internal Revenue Code in such a manner as to cause the Series 2011A Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code. The Board hereby covenants that, to the extent permitted by law, it will take all actions within its control and that it shall not fail to take any action as may be necessary to maintain the exemption of interest on the Series 2011A Bonds from gross income for federal income tax purposes, including but not limited to, actions relating to the rebate of arbitrage earnings, if applicable, and the expenditure and investment of Bond proceeds and moneys deemed to be Bond proceeds, all as more fully set forth in the Tax Compliance Certificate to be delivered by the Board with the Series 2011A Bonds.
- (c) The Board will not issue additional bonds of prior standing to the Series 2011A Bonds.

Section 14. Series 2011A Bond Form. The Series 2011A Bonds shall be in substantially the following form with such revisions, additions and deletions as the Board may deem advisable or necessary to comply with the final terms of the Series 2011A Bonds established upon sale thereof:

BOND NO.
R-
UNITED STATES OF AMERICA
STATE OF MICHIGAN
COUNTIES OF INGHAM AND EATON
CITY OF LANSING
LANSING BOARD OF WATER AND LIGHT
UTILITY SYSTEM REVENUE BOND, SERIES 2011A

<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
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Registered Owner: Cede & Co.

Principal Amount:

The City of Lansing, Counties of Ingham and Eaton, State of Michigan (the "City"), acting by and through the Lansing Board of Water and Light (the "Board"), acknowledges itself to owe and for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, only from the Net Revenues of the System as hereinafter provided, the Principal Amount specified above, in lawful money of the United States of America, on the Date of Maturity specified above, unless prepaid prior thereto as hereinafter provided, with interest thereon (computed on the basis of a 360-day year of twelve 30-day months) from the Date of Original Issue specified above or such later date to which interest has been paid, until paid, at the Interest Rate per annum specified above, first payable on [interest payment date] and semiannually thereafter. Principal of this bond is payable at the designated corporate trust office of [transfer agent], or such other transfer agent as the Board may hereafter designate by notice mailed to the registered owner of record not less than sixty (60) days prior to any interest payment date (the "Transfer Agent"). Interest on this bond is payable by check or draft mailed by the Transfer Agent to the person or entity who or which is as of the fifteenth (15th) day of the month prior to each interest payment date, the registered owner of record at the registered address. For the prompt payment of principal and interest on this bond, the revenues received by the Board from the operations of the water supply and electric utility systems including the steam, steam heat and chilled water distribution systems (the "System") after provision has been made for reasonable and necessary expenses of operation, maintenance and administration of the System (the "Net Revenues"), are irrevocably pledged and a statutory lien thereon has been created to secure the payment of the principal of and interest on this Bond, when due; however, the pledge of Net Revenues and the statutory lien are on a parity with the pledge of Net Revenues and statutory lien in favor of the Water Supply, Steam and Electric Utility System Revenue Bonds, Series 1999A, the Water Supply, Steam and Electric Utility System Revenue Bonds, Series 2002A, Water Supply, Steam and Electric Utility System Revenue Refunding Bonds, Series 2002B, Water Supply, Steam and Electric Utility System Revenue Refunding Bonds, Series 2003A, Water Supply, Steam and Electric Utility System Revenue Refunding Bonds, Series 2005A, and Water Supply, Steam, Chilled Water and Electric Utility System Revenue Bonds, Series 2008A. The pledge of Net Revenues and the statutory lien are senior in priority of lien to the Water Supply, Steam, Chilled Water and Electric Utility System Subordinate Lien Revenue Refunding Bond, Series 2009A (Federally Taxable) and any additional junior lien bonds issued pursuant to the Bond Resolution (defined below).

This Bond is one of a series of bonds of like tenor, except as to denomination, rate of interest and date of maturity, aggregating the principal sum of \$[principal amount], issued pursuant to a Bond Resolution adopted by the Board on October 24, 1989, as amended and supplemented from time to time, including by a Eleventh Supplemental Revenue Bond Resolution adopted by the Board on [date of resolution] (collectively, the "Bond Resolution"), and under and in full compliance with the Constitution and statutes of the State of Michigan, including specifically Act 94, Public Acts of Michigan, 1933, as amended ("Act 94"), for the purpose of financing costs of improvements to the System, [making a deposit to a bond reserve account,] and paying the costs of issuing the bonds.

For a complete statement of the revenues from which and the conditions under which this bond is payable, a statement of the conditions under which additional bonds of equal standing as to the Net Revenues may hereafter be issued, and the general covenants and provisions pursuant to which this bond is issued, reference is made to the Bond Resolution. Reference is hereby made to the Bond Resolution and any and all supplements thereto and modifications and amendments thereof, if any, and to Act 94, for a more complete description of the pledges and covenants securing the bonds of this issue, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the bonds of this issue with respect thereto and the terms and conditions upon which the bonds of this issue are issued and may be issued thereunder. To the extent and in the manner permitted by the terms of the Bond Resolution, the provisions of the Bond Resolution or any resolution or agreement amendatory thereof or supplemental thereto, may be modified or amended by the Board, except in specified cases, only with the written consent of the registered owners of at least fifty-one percent (51%) of the principal amount of the bonds of the System then outstanding.

Bonds of this issue maturing on or prior to [date] are not subject to redemption prior to maturity.

Bonds or portions of bonds in multiples of \$5,000 of this issue maturing on or after [date] shall be subject to redemption prior to maturity without a premium, at the option of the Board, in such order of maturity as the Board shall determine and within any maturity by lot, on any date on or after [date], at par plus accrued interest to the date fixed for redemption.

[Mandatory redemption provisions to be inserted if term bonds are issued]

In case less than the full amount of an outstanding bond is called for redemption, the Transfer Agent upon presentation of the bond called in part for redemption shall register, authenticate and deliver to the registered owner a new bond of the same maturity and in the principal amount of the portion of the original bond not called for redemption.

Notice of redemption shall be given to each registered owner of bonds or portions thereof to be redeemed by mailing such notice not less than thirty (30) days prior to the date fixed for redemption to the registered owner at the address of the registered owner as shown on the registration books of the Board. Bonds shall be called for redemption in multiples of \$5,000, and bonds of denominations of more than \$5,000 shall be treated as representing the number of bonds obtained by dividing the denomination of the bonds by \$5,000, and such bonds may be redeemed in part. The notice of redemption for bonds redeemed in part shall state that, upon surrender of the bond to be redeemed, a new bond or bonds in the same aggregate principal amount equal to the unredeemed portion of the bonds surrendered shall be issued to the registered owner thereof with the same interest rate and maturity. No further interest on bonds or portions of bonds called for redemption shall accrue after the date fixed for redemption, whether the bonds have been presented for redemption or not, provided funds are on hand with the Transfer Agent to redeem the bonds or portion thereof.

This bond is transferable only upon the books of the Board kept for that purpose at the office of the Transfer Agent by the registered owner hereof in person, or by the registered owner's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Transfer Agent duly authorized in writing and thereupon a new registered bond or bonds in the same aggregate principal amount and of the same maturity shall be issued to the transferee in exchange therefore as provided in the Bond Resolution, and upon the payment of the charges, if any, therein prescribed. The Transfer Agent shall not be required (i) to issue, register the transfer of, or exchange any bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of bonds selected for redemption under the Bond Resolution and ending at the close of business on the date of that mailing, or (ii) to register the transfer of or exchange any bond so selected for redemption in whole or in part, except the unredeemed portion of bonds being redeemed in part.

THIS BOND IS A SELF-LIQUIDATING BOND AND IS NOT A GENERAL OBLIGATION OF THE CITY AND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN ANY CONSTITUTIONAL, STATUTORY OR CHARTER LIMITATION, AND IS PAYABLE BOTH AS TO PRINCIPAL AND INTEREST SOLELY FROM THE NET REVENUES OF THE SYSTEM AND CERTAIN FUNDS AND ACCOUNTS ESTABLISHED UNDER THE BOND RESOLUTION. THE PRINCIPAL OF AND INTEREST ON THIS BOND ARE SECURED BY THE STATUTORY LIEN HEREINBEFORE DESCRIBED.

The Board has covenanted and agreed, and covenants and agrees, to fix and maintain at all times while any bonds payable from the Net Revenues of the System shall be outstanding, such rates for service furnished by the System as shall be sufficient to provide for payment of the principal of and interest on the bonds of this issue and any other bonds payable from the Net Revenues as and when the same shall become due and payable, to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the same in good repair and working order, and to provide for such other expenditures and funds for the System as are required by the Bond Resolution.

It is hereby certified and recited that all acts, conditions and things required by law to be done precedent to and in the issuance of this bond and the series of bonds of which this is one have been done and performed in regular and due time and form as required by law.

This bond is not valid or obligatory for any purpose until the Transfer Agent's Certificate of Authentication on this bond has been executed by the Transfer Agent.

IN WITNESS WHEREOF, the City, acting by and through the Board, has caused this bond to be signed in its name with the facsimile signatures of the Chairperson and Corporate Secretary of the Board, and a facsimile of the City's corporate seal to be printed hereon, all as of the Date of Original Issue.

CITY OF LANSING by and through the
LANSING BOARD OF WATER AND LIGHT

By

Chairperson

Countersigned:

By

Corporate Secretary

[INSERT STANDARD FORMS OF CERTIFICATE
OF AUTHENTICATION AND ASSIGNMENT]

Section 15. Negotiated Sale. Based upon the advice of the Financial Advisor, given the volatile nature of the bond market, in order to enable the Board to select and adjust terms for the Series 2011A Bonds, to enter the market on short notice at a point in time which appears to be most advantageous, and thereby possibly obtain a lower rate of interest on the Series 2011A Bonds, and to achieve sale efficiencies so as to reduce the cost of issuance and interest expense, it is determined in the best interests of the Board to negotiate the sale of the Series 2011A Bonds. The Board hereby determines to sell the Series 2011A Bonds at a negotiated sale instead of a competitive sale.

Section 16. Appointment of Senior Managing Underwriter. Bank of America Merrill Lynch (the "Underwriter") is hereby named as senior managing underwriter for the Series 2011A Bonds. The Board reserves the right to name additional co-managers and/or to develop a selling group, and the Chief Financial Officer is authorized to name additional co-managers and/or to develop a selling group in consultation with the Financial Advisor. By adoption of this resolution the Board assumes no obligations or liability to the Underwriter for any loss or damage that may result to the Underwriter from the adoption of this resolution, and all costs and expenses incurred by the Underwriter in preparing for sale of the Series 2011A Bonds shall be paid from the proceeds of the Series 2011A Bonds, if the Series 2011A Bonds are issued, except as may be otherwise provided in the Bond Purchase Agreement for Series 2011A Bonds.

Section 17. Bond Ratings and Bond Insurance. The Chief Financial Officer is hereby authorized to apply for bond ratings from such municipal bond rating agencies as deemed appropriate, in consultation with the Financial Advisor. If the Financial Advisor recommends that the Board consider purchase of municipal bond insurance, then the Chief Financial Officer is hereby authorized to negotiate with insurers regarding acquisition of municipal bond insurance, and, in consultation with the Financial Advisor, to select an insurer and determine which bonds, if any, shall be insured, and the Chief Financial Officer is hereby authorized to execute an agreement with the insurer relating to procedures for paying debt service on the insured bonds and notifying the insurer of any need to draw on the insurance and other matters.

Section 18. Official Statement. The Chief Financial Officer is authorized to approve circulation of a Preliminary Official Statement describing the Series 2011A Bonds and, after sale of the Series 2011A Bonds, to prepare, execute and deliver a final Official Statement.

Section 19. Continuing Disclosure. The Chief Financial Officer is hereby directed to execute and deliver, prior to delivery of the Series 2011A Bonds, a

written continuing disclosure undertaking in order to enable the Underwriter to comply with the requirements of Securities and Exchange Commission Rule 15c2-12. The continuing disclosure undertaking shall be in substantially the form which she shall, in consultation with bond counsel, determine to be appropriate.

Section 20. Sale of Series 2011A Bonds. The Chief Financial Officer is authorized, in consultation with the Financial Advisor, to negotiate a Bond Purchase Agreement with the Underwriter, and to accept an offer by the Underwriter to purchase the Series 2011A Bonds without further resolution of this Board. This authorization includes, but is not limited to, determination of original principal amount of the Series 2011A Bonds; the prices at which the Series 2011A Bonds are sold; the date of the Series 2011A Bonds; the schedule of principal maturities and whether the Series 2011A Bonds shall mature serially or as term bonds; provisions for early redemption including mandatory redemption of term bonds, if any; the interest rates and payment dates of the Series 2011A Bonds; and application of the proceeds of the Series 2011A Bonds including the amount of capitalized interest, if any. Approval of the matters delegated to the Chief Financial Officer under this resolution may be evidenced by execution of the Bond Purchase Agreement or the Official Statement. The Chief Financial Officer is authorized to execute the Bond Purchase Agreement.

The net interest cost of the Series 2011A Bonds shall not exceed 8.00%. The first maturity of principal on the Series 2011A Bonds shall occur no earlier than 2012, and the date of the final maturity shall not cause the Series 2011A Bonds to exceed thirty (30) annual maturities. The Underwriter's discount for the Series 2011A Bonds shall not be greater than 1.00% of the principal amount of the Series 2011A Bonds, net of original issue discount or premium. In making such determinations the Chief Financial Officer is authorized to rely upon data and computer runs provided by the Financial Advisor.

Section 21. Other Actions. In the event that the Chief Financial Officer is not available at the time that it becomes necessary to take actions directed or authorized under this resolution, then the Manager of Finance and Planning, the General Manager, or a person designated by the Chief Financial Officer or the Manager of Finance and Planning is authorized to take the actions delegated to the Chief Financial Officer by this resolution. The officers, administrators, agents and attorneys of the Board are authorized and directed to take all other actions necessary and convenient to facilitate issuance, sale and delivery of the Series 2011A Bonds, and to execute and deliver all other agreements, documents and certificates and to take all other actions necessary or convenient in accordance with this resolution, and to pay costs of issuance including but not limited to rating agency fees, bond insurance premiums, transfer agent fees, financial advisor fees, bond counsel fees, costs of printing the Series 2011A Bonds and the preliminary and final official statements, and any other costs necessary to accomplish sale and delivery of the Series 2011A Bonds.

Section 22. Applicability of the Outstanding Bond Resolutions. Except to the extent supplemented or otherwise provided in this resolution, all of the provisions and covenants provided in the Bond Resolution shall apply to the Series 2011A Bonds issued pursuant to provisions of this resolution, such provisions of the Bond Resolution being made applicable to the Series 2011A Bonds herein authorized.

Section 23. Conflicting Resolutions. All resolutions and parts of resolutions insofar as they conflict with the provisions of this resolution are hereby rescinded.

Section 24. Severability and Paragraph Headings. If any section, paragraph, clause or provision of this resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this resolution. The paragraph headings in this resolution are furnished for convenience of reference only and shall not be considered to be part of this resolution.

Section 25. Publication and Recordation. In accordance with the provisions of Section 6 of Act 94, this resolution shall be published once in full in the *City Pulse*, a newspaper of general circulation in the City qualified under State law to publish legal notices, promptly after its adoption, and shall be recorded in the minutes of the Board and such recording authenticated by the signatures of the Chairperson and Corporate Secretary of the Board.

Section 26. Effective Date. This resolution is hereby determined to be immediately necessary for the preservation of the public peace, property, health and safety of the City and the users of the System. In accordance with the provisions of Section 6 of Act 94, this resolution shall become effective immediately upon its adoption.

We hereby certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Commissioners of the Lansing Board of Water and Light at a Special meeting held on Tuesday, May 10, 2011, at 6:30 p.m., prevailing Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

We further certify that notice of said Special meeting was given to each member of the Board in accordance with the rules of procedure of the Board.

We further certify that the following Commissioners were present at said meeting _____ and that the following Commissioners were absent _____.

We further certify that Commissioner _____ moved adoption of said resolution, and that said motion was supported by Commissioner _____.

We further certify that the following Commissioners voted for adoption of said resolution _____ and that the following Commissioners voted against adoption of said resolution _____.

We further certify that said resolution has been recorded in the Resolution Book and that such recording has been authenticated by the signature of the Chairperson and Corporate Secretary.

Chairperson

Corporate Secretary

Motion by Commissioner Thomas, seconded by Commissioner Plummer to forward the proposed resolution for the Eleventh Supplemental Revenue Bond to the full Board for consideration.

Action: Carried Unanimously

Other

Finance Chair Bossenbery stated next month the Board will review the budget.

Adjourn

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

Respectfully submitted
Margaret Bossenbery, Chair
Finance Committee

COMMITTEE OF THE WHOLE May 10, 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, May 10, 2011.

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

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

Absent: None

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Ward, seconded by Commissioner Thomas to approve the Committee of the Whole meeting minutes of April 12, 2011.

Action: Carried unanimously.

Rules and Regulations

Electric ♦ Water ♦ Steam ♦ Chilled Water ♦ Electric Fees & Charges ♦ Water Fees & Charges

General Manager Lark stated that the Rules and Regulations update is done on an annual basis to inform customers of current fees and charges. This is a code of conduct or a hand book as to how the Board of Water & Light interacts with

customers, particularly with respect to fees and charges. General Manager Lark stated that a lot of work goes into the yearly update.

Kellee Christensen, Manager of Customer Projects and Development, stated that a lot of analysis is done to make sure that the Board of Water & Light is complying with certain codes in a timely manner to keep Rules and Regulations current.

General Manager Lark asks that the Committee forward the resolution approving the Rules and Regulations for Electric, Water, Steam and Chilled Water Utility Services to be effective July 1, 2011 to the full Board for approval.

Motion by Commissioner Price, seconded by Commissioner Bossenbery to move the resolution for the Rules and Regulations to full Board for approval.

Action: Motion Carried

Renewable Energy Plan Update

General Manager Lark said the State of Michigan Public Service Commission (PSC) requires that the Board of Water & Light provide the Board of Commissioners a Biennial Update on their Renewable Energy Plan. The Renewable Energy Plan Update is reviewed by the PSC and the public must be allowed to comment on the Update. The Biennial Update has to be brought to the Board's attention so that they know that they are aware that public comment is being solicited. The comment period will start May 16th and it will be posted on our internet.

Sue Warren, Manager of Marketing and Business Strategies, stated that PA 295 was passed in October of 2008. It is the legislation that requires the Renewable Energy Program and an Energy Optimization Program. The Board did update our financial analyses and we are required to let our customers comment on this. The law requires year-end results from those programs to be filed with the Public Service Commission (PSC) and a summary provided to customers. Ms. Warren stated that the Board of Water & Light is exceeding requirements and goals for both Renewable Energy and Energy Optimization.

IBEW 352 Organization Efforts (Informational Only)

General Manager Lark presented the Board with IBEW 352 material that has been circulated to Board of Water & Light employees. He stated that he is not aware of any problems with the Union and has respect for their leadership. General Manager Lark stated that he wanted to make the Board aware of the information that has been circulating. He feels if employees want to be unionized, that is fine; however, employees should be provided all and as much information possible to help them make the best decision possible.

Other

- REO - Cogeneration Plant Update

General Manager Lark spoke about his recent trip to New York to visit to the bond rating agencies of Moody's and Standards & Poor's. Mr. Lark stated that the bonds are rated by these agencies before they go out for issuance. He stated this was his third time participating in the bond process since he has been at the BWL, and believes that he and Susan Devon, Assistant General Manager and Chief Financial Officer persuasively presented the Board of Water & Light's case.

General Manager Lark said the importance of the advance approval of the rate increases for the power plant was very favorable to the Board of Water & Light for receiving a good rating.

Ms. Devon said the trip to New York went well and that a lot of significant work was done ahead of time. She said Mr. Lark did a superb job and she is proud to be a part of the Board of Water & Light.

Ms. Devon stated that the Administration will be issuing the Preliminary Official Statement (POS) on Friday, May 13th as the first step towards the sale of the bonds. The Board of Commissioners will be receiving an electronic copy of the POS. Next week the Administration will be preparing an internet road show presentation which will include Susan Devon, J. Peter Lark and Warren Creamer, the Board's bond adviser. The internet presentation will be presented to future possible investors. On May 22nd there will be an advertisement in the Lansing State Journal announcing the sale of the Bonds. The Board of Water & Light's website will have a link that will include the POS, financial statement, and the internet road show presentation. Bond sales will be taking place on May 23rd and 24th. Then, on June 15th, the Board of Water & Light will close the deal.

Ms. Devon said the two architects for the REO project have been selected. For the Depot; Cornerstone, known for their historical renovation, was selected; and FTCH was selected as the office interior architects. They are evaluating responses on bids and hope to have all responses awarded by between June 1st and 15th. She said they continue to discuss the pipeline. Construction will begin on June 13, 2011 for the steam vault.

Ms. Devon reminded everyone about the Ground Breaking Ceremony on May 25th.

- Hometown Power 5K

General Manager Lark introduced Bob Perialas, Manager of Customer Service.

Mr. Perialas provided an update on the 3rd Annual Hometown Power 5K. He said last year the Board of Water & Light's entire 5K event was paid for through sponsorship. He said the Board of Water & Light was able to donate \$3,000.00 to Pennies for Power at no cost to the BWL. Mr. Perialas said they are predicting to have over 300 participants this year and are looking forward to increasing this year's donation to Pennies for Power, the program that helps low income families with their utility payments. The 5K event will take place August 13th at 9:00 a.m.

This year there will be the introduction of the new family rate of \$58.00 for 4 people with a \$10.00 charge per additional person.

Marilyn Plummer stated on behalf of the Juneteenth Committee she would like to invite everyone to the Annual Juneteenth celebration to celebrate the historical significance of the oldest African American Holiday. The event will kick off on June 16, 2011.

Excused Absence

None

Adjourn

On Motion by Commissioner Plummer, seconded by Commissioner Price, the meeting adjourned at 6:20 p.m.

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

FINANCE COMMITTEE
May 10, 2011

The Finance Committee of the Board of Water and Light met at the Executive Offices, beginning at 6:00 p.m. on Tuesday, May 10, 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 Tracy Thomas. Alternate committee members Commissioners Cynthia Ward and Sandra Zerkle were present. Also present were Board Members David Price and Frank Lain.

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 April 12, 2011.

Action: Carried unanimously.

FY 2012 Budget

General Manager J. Peter Lark provided an overview of the proposed financial plan for fiscal year (FY) 2012 for the Lansing Board of Water and Light (BWL). He stated that the FY 12 Operating Budget that is being proposed resulted in a reduction in operations and maintenance expenses from the level approved in FY

2011. These reductions show that we have been very careful with the cash we have and that we are spending very carefully. All of our operations budgets have decreased with the exception of strategic planning which reflect cost increases related to environmental. The budget allows for continued service to its utility customers and future operations and sustainability for the plant facilities. The total proposed budget for FY 2012 is \$435.5 million, of which operations and maintenance comprise \$279 million and capital budget is approximately \$156 million. Capital expenditures for fiscal years 2012-2017 are estimated at \$462 million. The budget presentation materials included the following information: sales forecast, revenue assumptions, MISO market participation, comparison of energy cost, operating expense assumptions, operations and maintenance budget by category, budgeted net income/cash flow, comparative income statement (FY2012/20011), budget comparison by division and department, and budgeted return on Ratebase.

SALES FORECAST

Utility	FY12 Forecast	FY11 Budget	% '12 Forecast To '11 Budget
Electric – Retail (MWh)	2,248,434	2,200,585	2.2%
Electric-Wholesale (MWh)	<u>1,114,635</u>	<u>953,744</u>	<u>16.9%</u>
Electric (MWh)	3,363,069	3,154,329	6.6%
Water (ccf)	9,223,158	9,973,155	-5.2%
Steam (Mlb)	743,000	742,711	4.4%
Chilled Water (tnhrs)	10,379,126	9,968,925	7.7%

Electric:

- Retail sales volumes by customer class are expected to remain at the same level as FY 2011 with the exception of commercial sales which are expected to grow by approximately 4.2 %.

- Wholesale sales volumes are expected to increase as a result of increased plant availability in FY 2012.

Water:

- Retail sales volume expectations have been reduced to better represent actual sales volumes experienced in recent years.

Steam:

- Steam sales volumes are expected to be consistent with FY 2011

Chilled Water:

- Chilled water sales volume increases are attributed to recent customer additions, including the State Police Headquarters and the Accident Fund Building.

Revenue Assumptions

- Electric Retail – No rate increases anticipated for FY 2012

- Electric Wholesale – Margins continue to be affected by depressed market prices
- Water, Steam, & Chilled Water Utilities – Anticipated increases are included in the budget

MISO Market Participation

As of January 1, the BWL officially entered the MISO market as a registered participant.

The BWL also now has the benefit of an improved ability to sell excess generation through negotiated sales as well as the ability to participate in the day ahead markets (rather than just the real time market).

Operating Expense Assumptions

- Reviews held with each department
- Overall FY 2012 O&M decrease of 6.8% compared to final FY 2011 Budget*
- Current CPI Index –1.6% inflation
- Budget assumes 712 FTE's as compared to 718 FTE's in the FY 2011 budget.
- Wage and salary increases = 3% for bargaining unit employees only, as required by contract.

General Manager Lark asks that the resolution accepting the Fiscal Year 2012 Operating and Capital Budget be forwarded to the full Board consideration.

PROPOSED RESOLUTION

Fiscal Year 2012 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2012 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2012 Capital Budget is hereby approved as presented; and

RESOLVED, that the forecast for capital expenditures for the Fiscal Years 2012-2017 is hereby accepted as presented; and

RESOLVED FURTHER, that the Corporate Secretary be directed to make the appropriate filings with the Lansing City Clerk's office and the Mayor's office in accordance with the Lansing City Charter regarding the above actions.

Staff Comments: *Staff recommends an operating and maintenance budget of \$279.0 million and a capital budget of \$156.5 million for Fiscal Year 2012. \$44.8 million of the Fiscal Year 2012 capital budget is to provide for on-going services to our utility customers and to sustain our plant facilities for future operations. The remaining \$111.7 million will support the start of construction of the Reo Town Plant. Capital expenditures for Fiscal year 2012-2017 are estimated to be \$462*

million. Staff recommends that the Finance Committee approve these budgets and resolution for presentation and adoption by the Board at its May 24, 2011 Board meeting.

Finance Chair Bossenbery stated that she spoke with Corporate Secretary Griffin and Internal Auditor Perkins regarding their budgets. There is a minimal increase in the Internal Auditor's and Corporate Secretary's budget, the Board's budget remains the same and those figures are all included in the complete budget.

Motion by Commissioner Thomas, seconded by Commissioner Louney to forward the FY 2012 Operating and Capital Budget Resolution to the full Board for consideration.

Action: Motion Carried

Internal Audit Status Report

Internal Audit Status Report

Internal Auditor Phil Perkins presented an overview of Internal Auditors Status Report that included:

Risk Assessments/Scoping Review Status

- Four financial risk assessment/scoping reviews are complete:
 - Expenditures & Accounts Payable
 - Inventories (Materials, Equipment & Fuel)
 - Equity Accounts
 - Cash & Treasury
- Three remain:
 - Commitments & Contingencies (85% complete)
 - Record & Monitor Debt (over 50% complete)
 - Taxes (almost complete)
 - All of the above will be completed by or before June 30, 2011.
 - We will also start a Procurement Card audit in May at the request of the Assistant GM & CFO.

Annual Audit Planning for FY2012

1. Basic premise—the audit plan is a product of the Internal Auditor with significant input from Management and advice and consent from the Finance Committee and Board.
2. Assessment of Company Risks is a Key Aspect of Planning
 - Annual risk assessment is required by Institute of Internal Auditing Standards.
 - Risks reviewed include high-level Strategic Risks (Environmental, Other Regulatory, Economic, Major Changes, etc.) and Departmental/Functional Risks (application of 10 identified risk factors to auditable activities, operational, financial, fraud risks, etc.)
 - Discussions are held about how the identified risks may pertain to potential audit topics.

3. The plan should be flexible enough to allow for unanticipated needs and include resource estimates as well as proposed audit engagements.
4. The final audit plan for FY2012 should be reviewed by the Internal Auditor and Senior Management, and approved by the Finance Committee.

External Peer Review – Recommended Approach

- An external peer review of the Internal Audit activity is required every 5 years per Institute of Internal Auditors Standards. These standards are as incumbent upon the internal auditing profession as the Statements of Auditing Standards promulgated by the AICPA are to our external auditors.
- Internal Audit is due for an external review by no later than the last quarter of FY2012.
- Our goal is to have the peer review performed at the lowest possible cost by a professional external party with experience in performing such reviews.
- Recommendation is to use a peer review team from the Association of Local Government Auditors (ALGA):
 - Lowest out-of-pocket cost provider (they charge for travel/business expenses only).
 - Team size is two people for an Internal Audit Department of our size (estimated cost \$4,000 or less).
 - In return for ALGA's services, BWL Internal Audit will need to provide a team member periodically (e.g., every three years on average) for peer reviews at other locations. The reviews normally take a week to perform.

Finance Chair Bossenbery commended Internal Auditor Perkins and Assistant General Manager and Chief Financial Officer Susan Devon for working together on Audit Procedures.

Internal Auditor Perkins presented information on the Association of Local Government Auditors (ALGA) and their peer review program. Mr. Perkins stated that ALGA only charges their travel and other business expenses to perform the mandatory (every 5 years) external review and therefore would be a cost-effective solution. In exchange, the BWL Internal Audit Director and Associate Internal Auditor will need to support external peer reviews at other locations on an average of once every three years. This would accrue indirect benefits of benchmarking and best practice sharing from other internal audit groups. Mr. Perkins recommended that he be allowed to proceed with ALGA as the external peer review provider and asked the Finance Committee to approve his recommendation.

Motion by Commissioner Louney, seconded by Commissioner Plummer to approve Internal Auditors Perkin's recommendation that he be allowed to participate with ALGA as an external peer provider.

Action: Motion Carried

Other

Board Chair Zerkle congratulated Phil Perkins on his recently acquired Auditor Information System (IT) Certification. Chair Zerkle ask Mr. Perkins if the new certification will allow him to do more accurate IT audits. In response Internal Auditor Perkins stated this does give him more knowledge, however he still needs to gain experience.

Everyone congratulated Mr. Perkins on his accomplishment.

Adjourn

On Motion by Commissioner Plummer, seconded by Commissioner Thomas, the meeting adjourned at 6:55 p.m.

Respectfully submitted
Margaret Bossenbery, Chair
Finance Committee

HUMAN RESOURCE COMMITTEE
May 17, 2011

The Human Resource Committee of the Lansing Board of Water and Light met at the Executive Offices, Lansing beginning at 5:00 p.m. on Tuesday, May 17, 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, Marilyn Plummer and Sandra Zerkle. Also present were Commissioner Cynthia Ward.

Absent: Commissioner Frank Lain.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Plummer, seconded by Commissioner Zerkle to approve the Human Resource Committee meeting minutes of July 20, 2010.

Action: Carried unanimously.

Succession Planning

General Manager Lark introduced Board of Water & Light's General Counsel and Executive Director of Employment Affairs, Brandie Ekren, who reviewed the Succession Planning Plan.

Ms. Ekren stated that the Executive Staff has been working on the Succession Plan for over a year. Succession Planning is the process of identifying and staffing critical positions through recruitment and identification of leadership talent and cultivation of this talent training and mentoring. The Lansing Board of Water and Light's program has four key components: Critical Planning, Leadership Development, Mentoring and Coaching and Employee Recruitment and training.

Bond Rating Update

General Manager Lark announced that the BWL has received excellent news. Moody's and Standard & Poor's have both affirmed our bond ratings

Diversity Field Trips Update/Introduction of New manger (Information Only)

General Manager Lark introduced the new Manager of Diversity Daryl Hibbert.

Mr. Hibbert stated that he was honored to be at tonight's meeting to speak about the Board of Water & Light's public relations and diversity program. Mr. Hibbert stated that bringing people together to create excellent service is what we do, here at the Lansing Board of Water & Light. Our Public Relations and Diversity program helps us to create excellence for our customers and our employees. He stated that the objective of the public relations and diversity program is to educate, train and connect people with communities.

Mr. Hibbert said that he was thankful for the tremendous support and latitude that he has received from Executive Staff and Calvin Jones, Director of Public Relations and Diversity. He said that he has a great staff and recognized Tansay Carter from his staff.

FY 2011 Board Appointee Performance Review – General Manager

General Manager Performance Review

General Manager J. Peter Lark, requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted.

Motion by Commissioner Zerkle, seconded by Commissioner Plummer to go into closed session.

Action: Carried unanimously.

The Human Resource Committee meeting wentin to closed session at 5:45 p.m.

Motion by Commissioner Plummer, seconded by Commissioner Zerkle that the Human Resource Committee return to open session.

Action: Carried unanimously

The Human Resource Committee meeting reconvened in open session at 6:15 p.m.

Upon conclusion of the closed session, the Human Resource Committee took the following action:

Motion by Commissioner Zerkle and seconded by Commissioner Plummer to reappoint Mr. Lark as the Director and General Manager for Fiscal Year 2012.

Action: Carried unanimously

Motion by Commissioner Zerkle, seconded by Commissioner Plummer to authorize the Board Chair to finalize the details of Mr. Lark's contract with Legal counsel.

Action: Motion Carried

FY 2011 Board Appointee Performance Review – Internal Auditor

Internal Auditor Performance Review

Internal Auditor Phil Perkins requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted.

Motion by Commissioner Plummer, seconded by Commissioner Zerkle to go into closed session.

Action: Carried unanimously.

The Human Resource Committee meeting went into closed session at 6:21 p.m.

Motion by Commissioner Zerkle, seconded by Commissioner Thomas that the Human Resource Committee return to open session.

Action: Carried unanimously

The Human Resource Committee meeting reconvened in open session at 6:50 p.m.

Upon conclusion of the closed session, the Human Resource Committee took the following action:

Motion by Commissioner Zerkle and seconded by Commissioner Plummer to reappoint Mr. Perkins as the Internal Auditor for Fiscal Year 2012

Action: **Carried unanimously**

Motion by Commissioner Zerkle, seconded by Commissioner Plummer to authorize the Board Chair to finalize the details of Mr. Perkins contract with Legal counsel.

Action: Motion Carried

FY 2011 Board Appointee Performance Review – Corporate Secretary

Corporate Secretary Performance Review

Corporate Secretary M. Denise Griffin requested a closed session for the purpose of receiving her contractual year-end performance evaluation as permitted.

Motion by Commissioner Plummer, seconded by Commissioner Thomas to go into closed session.

Action: Carried unanimously.

The Human Resource Committee meeting went into closed session at 6:52 p.m.

Motion by Commissioner Zerkle, seconded by Commissioner Plummer that the Human Resource Committee return to open session.

Action: Carried unanimously

The Human Resource Committee meeting reconvened in open session at 7:12 p.m.

Upon conclusion of the closed session, the Human Resource Committee took the following action:

Motion by Commissioner Zerkle and seconded by Commissioner Plummer to reappoint Ms. Griffin as the Corporate Secretary for Fiscal Year 2012.

Action: Motion Carried

Motion by Commissioner Zerkle, seconded by Commissioner Plummer to authorize the Board Chair to finalize the details of Ms. Griffin's contract with Legal counsel.

Action: Motion Carried

Human Resource Chair Tracy Thomas stated that the contracts for the three Board Appointed employees will be prepared and ready for signature at the July 26, 2011 Regular Board Meeting. The contracts are effective July 1, 2011.

Other

There was no motion for any Excused Absence

There being no further business, the Human Resource Committee meeting adjourned at 7:16 p.m.

Respectfully submitted,
Tracy Thomas, Chair
Human Resource Committee

MANAGER'S RECOMMENDATIONS

General Manager J. Peter Lark stated on May 10, 2011 the Finance Committee approved the budget that is before the Board of Commissioners tonight. He asked that the Board approve the Operating and Maintenance Budget of \$279 million as well as the Capital Budget of \$156.5 million for FY 2012, which includes \$44.8 million for the FY capital budget on-going services, as well as the remaining \$111.7 million for the construction of the REO Town Plant. Mr. Lark also asked that the Board accept the Capital Expenditures for Fiscal Years 2012-2017.

RESOLUTION #2011-05-02

Fiscal Year 2012 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2012 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2012 Capital Budget is hereby approved as presented; and

RESOLVED, that the forecast for capital expenditures for the Fiscal Years 2012-2017 is hereby accepted as presented; and

RESOLVED FURTHER, that the Corporate Secretary be directed to make the appropriate filings with the Lansing City Clerk's office and the Mayor's office in accordance with the Lansing City Charter regarding the above actions.

Motion by Commissioner Bossenbery, seconded by Commissioner Price to approve the Fiscal Year 2012 Operating and Capital Budget and accept the forecast for capital expenditures for the Fiscal Years 2012-2017 as presented.

Action: Carried unanimously.

General Manager Lark stated that the updated Rules and Regulations were presented to the Committee of the Whole on May 10, 2011. The Committee was provided with a copy of the proposed Rules & Regulations with all of the changes identified in the new fee schedule attachments. Mr. Lark stated that this is an annual amendment to the Electric, Water, Steam and Chilled Water Rules and Regulations and the purpose of this is to update any fees and charges, as well as to amend any other rules that require updating.

RESOLUTION #2011-05-03

Rules and Regulations for Electric, Water, Steam & Chilled Water Utility Services

RESOLVED, THAT THE AMENDMENTS TO THE Rules and Regulations for Electric, Water, Steam and Chilled Water Services be approved as presented, to be effective July 1, 2011.

Motion by Commissioner Price, seconded by Commissioner Plummer, to approve the Rules and Regulations for Electric, Water, Steam, and Chilled Water Utility Services to be effective July 1, 2011.

Chair Zerkle stated that there was very little change in the Rules and Regulations.

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTIONS

Resolutions were adopted under Manager's Recommendations

MANAGER'S REMARKS

General Manager Lark stated that the design company of Ciesa Design that did the Board of Water & Light's 2010 Annual Report won an Addy Award for the report. Mark Nixon masterminded the report and Heidi Myer masterminded all of the financial part.

General Manager Lark recognized Calvin Jones for receiving the Lansing Community College Alumni of the year award. Mr. Lark stated that Calvin is a key player at the Board of Water & Light and that his intergovernmental relation work is second to none.

Calvin Jones, Director of Public Relations and Diversity stated that when he was notified that he had been nominated and received the Alumni of the year award he was pleasantly surprised. He thanked General Manager Lark and Susan Devon, Assistant General Manager and Chief Financial Officer for providing great leadership and making it possible for Board of Water & Light employees to grow. He said that he is blessed to be here at the Board of Water & Light.

General Manager Lark announced that the Board of Water & Light 2011 received the Governor's Award for Historic Preservation. The Board received this award

because the investment and rehabilitation efforts of the Ottawa Street Power Station.

General Manager Lark stated that the Board of Water & Light (BWL) sold all of its bonds on Monday and Tuesday, and by today at noon all \$250 million had been sold. There was actually a billion dollars in priority orders. The BWL's underwriter from Bank of America stated that he believed this was the best bond issuance on Wall Street in the last six months. He thanked the Commissioners and his Administration for all of their support and hard work.

COMMISSIONERS' REMARKS

Commissioner Thomas congratulated Calvin Jones on his Lansing Community College Alumni Award. Commissioner Thomas also stated that the Commissioner's three appointed employees Mr. Lark, Ms. Griffin and Mr. Perkins have done an excellent job and is very happy with their performances.

Chair Zerkle said tomorrow is a monumental day for the Commissioners' and the BWL employees. The process begins for the building of the new co-generation plant. She stated that tomorrow's ground breaking is a testament to the ability of Mr. Lark and his staff.

Chair Zerkle spoke about the 1st Step Ceremony that will take place on Thursday. She stated this program is very special to her because of the way it reaches out to kids from different communities and gives them the opportunity to get some work experience. She said that the mentoring at the BWL has been tremendous and hopes to continue and expand this program.

Commissioner Louney stated that he would like to recognize and state his appreciation for all of the effort and hard work that the BWL's staff puts into the annual updating of the Rules and Regulations and the preparation of the Budget.

PUBLIC COMMENTS

There were no public comments

EXCUSED ABSENCE

There was no motion for any excused absence.

ADJOURNMENT

On motion by Commissioner Thomas, seconded by Commissioner Price the meeting adjourned at 5:50 p.m.