



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

November 19, 2013

The Board of Commissioners met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, November 19, 2013.

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

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

Absent: Commissioner Tony Mullen

The Corporate Secretary declared a quorum present.

Commissioner Ward led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Price, seconded by Commissioner Ward to approve the Regular Board Meeting minutes of September 24, 2013.

Action: Carried Unanimously

PUBLIC COMMENTS

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

There was no Public Comment

COMMUNICATIONS

a. E-mail from customer, F. Stephens, regarding electric bill itemization REFEFFED TO MANAGEMENT AND RECEIVED AND PLACED ON FILE

COMMITTEE REPORTS
COMMITTEE OF THE WHOLE
October 8, 2013

The Committee of the Whole of the Lansing Board of Water and Light met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, October 8, 2013.

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

Present: Commissioners Dennis M. Louney, Margaret Bossenbery, Tony Mullen, Tracy Thomas, Cynthia Ward and Sandra Zerkle.

Absent: Commissioners Anthony McCloud and David Price

Public Comments

There was no Public Comment

Approval of Minutes

Motion by Commissioner Thomas, Seconded by Commissioner Ward to approve the Committee of the Whole meeting minutes of September 10, 2013.

Action: Motion Carried

Facilities Update

General Manager Lark introduced Scott Scott Hamelink, Manager of Water Productions.

Mr. Hamelink , provided background and upgrade information on the Board of Water and Light's (BWL) water production facilities, both Dye Water and the Wise Road Conditioning Plants.

▪ **Dye Water Conditioning Plant**

The Dye Water Conditioning Plant located on Cedar St. has been in production since 1939. This facility is capable of producing 40 Million gallons of drinking water a day. He reviewed a list of Capital/Construction Projects. Some of the projects include:

- Major renovations to the exterior of the plant and landscaping
- Refurbishment of raw water manhole
- Installation of a new 10 million gallon distribution pump
- Installation of an Elevator
- LED Lights

▪ **Wise Road Conditioning Plant**

The Wise Road Conditioning Plant located on Wise Rd. has been in production since 1966 and it is capable of pumping about 10 million gallons of drinking water a day. In 2011 there was an incident that destroyed much of the plant's equipment and wiring. The water plant has been under renovation since the incident and it is expected to be complete early next year. The reconstructed facility will be a State of the Art plant when finished and will be set for the next 50 years.

- **Other Water Facilities/Information**

The Hewitt Rd. Reservoir has been newly painted and in the process of having the BWL logo put on it.

Mr. Hamelink thanked his staff for all of their work.

- **Erickson Power Plant/Station**

General Manager Lark introduced Debbie Allen, Manager of the Erickson Power Plant.

Ms. Allen provided a facilities update on the Board of Water and Light's (BWL) Erickson Power Plant located on Canal Rd. She stated that the Erickson Power Plant has been in service since 1973 and is a one unit, one turbine, one boiler generator that produces 165 megawatts of electricity and is the largest single unit for the BWL.

Ms. Allen stated that the Erickson Plant has gone 337 days without a lost time injury and the Plant has been on line for 184 consecutive days, which is a credit to Doug Wood, Executive Director of Electrical Operations, who implemented a Work Management System, that has proven to be instrumental in keeping their facility on line for long durations of time.

Capital Projects at Erickson include:

- Installation of a new Fire Pump
- Removal of Fly Ash and Bottom Ash from Erickson's ground
- Creation of Hydrobins to collect the Ash

Ms. Allen thanked her staff for their work and the Administration for their support.

- **REO Town Cogeneration Plant**

General Manager Lark introduced Roberto Hodge, Manager of the REO Town Cogeneration Plant.

Mr. Hodge stated that the REO Cogeneration Plant went live on July 1, 2013 and has the capability of 100 megawatts of power; it has two combustion turbine engines that are capable of producing about 340,000 pounds of steam. Mr. Hodge stated that the Plant is up and running but is going through the tuning phase of a new facility.

- **Chilled Water Plant**

Mr. Hodge briefly spoke about the Chilled Water Plant located at the corner of Allegan and Pine St. This Plant has 4 electric chillers that are capable of producing 8,000 tons of chilled water. This facility has 100% availability and has had no down time at all.

Capital Projects at Roy E. Peffley Chilled Water Plant include:

- Upgrade Hardware at customer sites
- Upgrade Software for main computers

General Manager Lark stated that the BWL's entire chilled water steam customer base is serviced out of this facility, as a result of the steam units at the Ottawa station being taken out of service.

Mr. Hodge thanked the Administration, his staff and the Union Workers for all of their work and support.

- **Eckert Plant**

General Manager Lark introduced Tom Dickinson, Manager of the Eckert Plant.

Mr. Dickinson, stated that the Eckert Power Station was built in the 1950's and is the oldest operating plant at the BWL. He said currently Units 4, 5 and 6 are off line and that Moores Park's 4 steam boilers have already been closed. Mr. Dickinson said if the BWL did not run Units 1, 2, 3 and Moores Park it would save 350,000 tons of coal being burned each year.

Mr. Dickinson provided information about SAFE, a new implementation at the Eckert Station which stands for System Audit Facility Evaluation. This system goes through all of the trip and safety mechanisms of the boilers, turbines and generators to make sure the system is safe and reliable.

Capital Projects at Eckert Plant include:

- Turbine Generator Oil Containment
- Cooling Tower Header Replacement

- **Substations**

General Manager Lark introduced George Stojic, Executive Director of Strategic Planning & Development

Mr. Stojic discussed the role that substations play to the Board's electric system. He noted that they both transform power from high voltage, used in transmission, to low voltage, used by customers and play an important role in maintaining electric reliability. According to Mr. Stojic, the Board has 13 substations but two, Enterprise and Davis, are particularly important because they are the interconnection points between the Board's electric system and the interstate transmission grid. These substations allow the Board to buy and sell electric energy and capacity in the Midwest markets, import its Belle River power entitlements, and contribute to maintaining electric reliability. Since the 2003 blackout, the Federal government has adopted mandatory reliability standards which, among other things, impact the Board's role as a transmission owner and operator. The standards require the Board to plan for two major sequential contingencies, which include the loss of both interconnections. To meet its reliability requirements under those conditions, the Board needs to maintain Eckert units 4,5, and 6 in an operational state.

Mr. Stojic noted, however, that environmental compliance requirements, including the mercury and air toxics rule, the cross state pollution rule, and the anticipated greenhouse gas rules for existing generation units may require the Board to make significant investments in the Eckert units to comply. If Eckert 4, 5, and 6 are removed from service, the Board could no longer comply with mandatory reliability standards. To meet the reliability standards, staff is

planning for a third interconnection. The process of securing a new interconnection can be time consuming, with Mr. Stojic predicting that it could take three years to complete. The staff has already spent over a year studying two possible routes; neither of which worked out. The staff is now working with ITC, Consumers Energy, and MISO on adding another interconnection at either Enterprise or Davis substations. Mr. Stojic acknowledged and thanked staff who have been working on the project.

▪ **Renewable Energy Plan**

George Stojic, Executive Director of Strategic Planning and Development, gave the Commissioners an overview of the Board's renewable energy program. He began by noting the Board adopted a strategic plan 5 or 6 years ago that set a goal of meeting all electric demand growth with renewable energy and energy efficiency programs. Mr. Stojic described the Board's plan as a more comprehensive clean energy plan, of which renewable energy was only one component. He noted that the Board received numerous form letters advocating a community energy planning process to ensure that the Board could meet its 2015 renewable energy compliance deadline. He noted, however, that because the Board was the first Michigan utility to adopt a renewable energy requirement, it was already compliant through 2016. According to Mr. Stojic, renewable technology is changing rapidly and the cost of renewable options is falling, so there is an advantage to timing renewable acquisition to take advantage of these changes.

Mr. Stojic noted that the Board has a well diversified renewable energy program. The program consists of the Cedar Street solar array, initially Michigan's largest and soon to be expanded, two highly reliable landfill gas contracts, providing both capacity and energy directly to the BWL system, a refurbished BWL hydro unit at Moore Park, a purchase power agreement (PPA) with a second hydro in northern Michigan, and a recently signed PPA with a wind energy farm in Gratiot County. Mr. Stojic noted, however, that the Board's commitment to renewable energy goes well beyond those projects. The BWL has a net metering program that allows customers to install their own renewable options to offset utility bills. This year, the BWL offered incentives to businesses installing their own solar projects and these incentives could be combined with the net metering program. This combination will be offered to residential customers next year. Our goal is to encourage more solar installations in the Lansing area. BWL staff is also studying community based solar projects for possible adoption next year.

Mr. Stojic also noted that the Board had a number of firsts to its credit. It was one of the first utilities in the country to test torrefied biomass as a replacement to coal. The BWL's test, at its Erickson station, was believed to be the nation's largest at the time. The BWL was the State's first to implement a community based plug-in hybrid vehicle program, which served as a template for other utilities. The BWL is undertaking a distribution automation program called voltvar control under the auspices of Wayne Lynn, Manager of Electric Systems Integrity. This is designed to reduce the load on congested circuits to make our distribution system much more efficient and reliable. The BWL has installed a regenerative hydrogen fuel cell as a pilot program to control demand by drawing power at night, when our loads are low, and returns it to us in the afternoon when we need it the most. The BWL was the first Michigan utility to adopt a comprehensive energy efficiency program. So the BWL has a number of undertakings to improve the efficiency, productivity and the reliability of its transmission and distribution system and in the process manage system demand and reduce

energy needs. Mr. Stojic noted that the BWL is one of the State's largest water distribution utilities and has been working to improve the energy efficiency of that water distribution system.

Mr. Stojic also discussed the BWL's new REO Town investment. The new plant eliminates the need for 350,000 tons of coal and helps the BWL reduce its greenhouse gas emissions by 20%. He noted that the President suggested the U.S. reduce its greenhouse gas emissions 17% by 2020 and that the BWL has already exceeded the President's goal. According to Mr. Stojic, the BWL's diversified program helps meet three planning goals: environmental Stewardship, affordability and reliability. For example, if the BWL attempted to replace Eckert, Units 4, 5, and 6, consisting of just over 210 megawatts, with wind energy it could not do so with 200 megawatts of wind energy. A PPA for 200 megawatts of wind energy would result in most energy production in the late winter and spring months, when the BWL's electric demand is comparatively lighter. This would cause the BWL to sell much of it in the market at a loss or require transmission to Lansing. Mr. Stojic indicated that transmission costs can be very expensive. On the other hand, when electric demand is the highest in summer, MISO credits wind energy with only a 13% capacity value, so that 200 megawatts of wind energy would only be counted as 26 megawatts of generating capacity for reliability purposes. The difference, 174 megawatts would need to come from elsewhere. Eckert units 4, 5, and 6 meet that 174 megawatt requirement, so they would still be needed if BWL tried to replace them with an equivalent amount of wind energy capacity. The result is costs for both 200 megawatts of new wind energy and the cost of retaining the Eckert units in operational status or replacing the units additional generating capacity. Doing so would result in an unbalanced strategy of giving up either reliability or affordability unnecessarily. For this reason, the route the BWL has taken has been deliberate balancing of all three goals in implementing its renewable energy plan balance. Mr. Stojic concluded with a quote from President Obama "it is all of the above" when meeting the nation's energy needs.

▪ **Hazel St. Water Laboratory**

General Manager Lark said that here at the BWL we operate our own water lab and we are very proud of that because most water facilities farm their water out for testing. With that being said, General Manager Lark introduced Mark Matus, Manager of Environmental Services and Jennifer Hamel, Environmental Services Lab Supervisor.

Mr. Matus stated that the water lab is located on Hazel St. and is equipped with state of art sophisticated equipment that is used by 4 top notch chemists. The chemist tests the BWL's water about 16,000 times a year, 365 days a year without fail. Mr. Matus stated that the BWL was recently audited by the State of Michigan and passed the audit with flying colors and received certification.

General Manager Lark thanked all of the Managers and their staff who presented information at tonight's meeting and for doing a great job.

Neighborhood Environmental Award (DEQ)/ Energy Savings Awards (BWL)

General Manager Lark informed the Commissioners that the BWL received the Neighborhood Environmental Award from the Department of Environmental Quality. Mr. Lark stated that he is proud of the BWL for receiving this award as it reflects the work that was done in 2012, particularly the "Adopt A River" and the "Pollution Prevention" programs.

General Manager Lark stated that the Energy Savings Award is recognition by the BWL of certain customers who have undertaken outstanding energy saving efforts by using our energy efficiency programs. The Lansing School District, Ashley Rider and General Motors are recipients of this award for their efforts resulting in saving over 1 million kilowatts hours of usage.

Clean Water Action

Mary Brady, Campaign Organizer for Clean Water Action, said there are two reasons that they wanted to make a presentation to the Board. The primary reason is to open up the lines of communication between the environmental community, the general community, the BWL, the Board of Commissioners and the BWL employees. The second primary reason for meeting is to share some background on what they are working on and how they would like to see the BWL look in the future with respect to energy, the environment, and the quality of air and water.

Brad van Gilder, Organizing Representative for the Sierra Club, presented a PowerPoint presentation titled "Lansing's Energy Future in a changing utility market". In his presentation Mr. van Gilder offered information on:

- History of Coal usage at the BWL
- Regulatory & Policy Changes/Market Pressure to Change
- Health Cost – Asthma in Ingham Co./Rates of Hospitalization due to Asthma by ZIP code in Ingham County, Michigan, 2008 to 2010
- Stationary Pollution Sources impacting Ingham County Residents

Mary Brady, spoke about the Michigan Public Service Commission's 2013 Draft Report on Renewable Energy. She stated that she felt some of the important findings from this report were:

- Michigan could easily meet increased renewable energy targets of 30% or even higher by 2035 with the resources we have here today.
- Renewable energy is cheaper than almost all other generation options
- Advances in technology have cut the cost of wind generation in half over the five years RPS has been in place
- Michigan could substantially increase its RPS with no impact on reliability

Brad van Gilder, stated that the Sierra Club submitted a number of comments regarding the BWL's Renewable Energy Plan and one of the things that was advocated was a public planning process. He stated the importance of public participation and noted that BWL has been more responsive and interactive than other utilities. He also noted that Ingham County recently adopted a Property Assessed Clean Energy Program and participating in the program would create an opportunity for commercial businesses to interface with the BWL with the goal of implementing some larger solar projects. He also stated that more regulations would likely be coming in the future and questioned how far into the future the Erickson Plant remain cost effect generation, especially as the cost of renewables continues to decline.

Other

Chair Zerkle announced that the BWL is inviting the community to participate in celebrating Public Power Week tomorrow, Wednesday, October 9 from 3-7 p.m. in the REO Town Depot and Cogeneration Plant. This will give the public a chance to check out our new facilities.

General Manager Lark announced that on October 10, 2013 City Hall on the Road will be held at the REO Town Depot.

Excused Absence

Motion by Commissioner Thomas, Seconded by Commissioner Bossenbery to excuse Commissioners McCloud and Price from tonight's meeting.

Action: Motion Carried

Adjourn

On Motion by Commissioner Ward, Seconded by Commissioner Bossenbery, the meeting adjourned at 6:49 p.m.

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



**MINUTES
BOARD OF WATER AND LIGHT
PENSION FUND TRUSTEES' ANNUAL MEETING**

Tuesday, October 8, 2013

Present: Trustees Margaret Bossenbery, Dennis M. Louney, Tracy Thomas, Cynthia Ward and Sandra Zerkle.

Absent: Trustees Anthony McCloud and David Price

Staff Present: General Manager J. Peter Lark, Susan Devon, Assistant General Manager and Chief Financial Officer, Phil Perkins, Director of Internal Audit, Bill Aldrich, Manager of Finance and Planning, Marilyn Montgomery, Senior Treasury Analyst, Scott Taylor, CPA, CTP, Supervisor, Treasury & Budgeting, Danielle Miller, Executive Office Administrative Assistant and M. Denise Griffin, Corporate Secretary

Consultants Present: Merrill Lynch: Marie Vanerian, First Vice President, Institutional Consultant ♦ ICMA-RC: Sandra Rouse-Thames, Retirement Plans Specialist

The Secretary declared a quorum.

Chairperson Zerkle called the meeting to order at 6:58 p.m.

On Motion by Trustee Bossenbery and Seconded by Trustee Thomas to approve the minutes of the September 11, 2012 Pension Fund Trustees' Annual Meeting Minutes.

Action: Motion Carried

Public Comments

There were no public comments.

FY2013 Financial Information

General Manager J. Peter Lark introduced Susan Devon, Assistant General Manager and Chief Financial Officer.

Ms. Devon provided an overview of the different Pension Plans. The packet is broken down by the Defined Benefit Plan, the Defined Contribution Plan and the Post Retirement Benefit Plan (VEBA). Each of the sections in the packet includes general information consisting of the Audited Financial Statements, the Actuarial Study Report and the Investment Policy Statement for each Plan and the Performance of the Plans over the past year.

Defined Benefit Plan

The Defined Benefit (DB) Plan was closed to new employees hired after December 31, 1996. There are currently 449 retirees and beneficiaries, 10 terminated employees with vested benefits and 30 current employees in this plan for a total of 489 Plan participants, a decrease of about 18 from last year.

Ms. Devon stated that right now, we have \$76 million in our plan assets and our liability is about \$69 million so we are over funded by \$8 million. But if our discount rate goes down by 1% as may be required by GASB Pension Accounting Standards the liabilities go up by \$7 million. That is something we are taking a closer look at.

The DB Plan investment earnings reflected a 14% return on invest for FY 13.

Defined Contribution Plan

The Defined Contribution (DC) Plan was established in 1997 and took the place of the Defined Benefit Plan. At that time, there were 602 active employees that switched to the DC Plan and at that time, we transferred \$75 million from the old DB Plan to the DC Plan.

Investment income improved in FY 2013. DC investment income was \$16 million in 2013 compared to \$.5 million in FY 2012. For FY 2013, \$16 million actually represents a 12.4% return on assets. The Plan Assets for the DC Plan right now are \$147 million.

This plan is a little different from the DB Plans in that we do not actually invest the money; we pick out a lineup of funds that are available for the employees to make their own selections. We do believe that we have a very diverse lineup available for our employee and we do have a very robust education program that is available to them. Use of the web site was up 40%, which is attributable to the education program and amounted to about 22,000 hits.

Post-Retirement Plan-VEBA

As of Feb 2013 we have 1380 participants in the Post-Retirement Benefit Plan. This is a decrease of about 16 from last year. Investment Advisors for this Plan is Merrill Lynch and consistent with other plans our investment income improved over 2012. The Post Retirement plan had \$15.7 million in investment income compared to a \$.4 million loss last year. We made \$4.5 million worth of contribution into the plan and the assets in the plan

increased from \$110 million last year to \$129 million this year for an increase of \$19 million. Our funding ratio for the Post Retirement Plan was 45% in 2012 and is now 59%, so we are almost 60% funded for this plan.

Ms. Devon stated that there is another Accounting Standard that she believes will be issued in the near future and will have the same impact on us as the changes for the Pension Plan, forcing us to reduce our discount rates, which increases liability and may require us to make additional contribution into the plan. Also, there is Act 347 of 2012, that is a Public Act that amends Act 314 of 1965, which governs our pension's investment activities. This new Act lays out the duties and responsibilities of the Trustees. One of the things that we have to do, which is a new requirement for us, is to make sure that we provide the Trustees a new annual report. Basically, it is all of the information that was presented to you tonight.

Ms. Devon said the Board is also required to work on developing a policy that clearly defines accountability and reporting requirements for the Trustees and perhaps provide some educational training/seminars for the Trustees. Staff will be working with Merrill Lynch on a proposed policy to present to the Trustees after flushing out exactly what the requirements are. Ms. Devon stated that there is an organization called the Michigan Association of Public Employees Retirement Systems that has a very good seminar series for Trustees of pension plans that might be something to take into consideration in the future.

Sandra Rouse-Thames, ICMA-RC Retirement Plans Specialist provided the Trustees with information on Retirement Educational meetings that have been presented to the BWL employees. She said the numbers are slightly up from last year. She said that ICMA-RC spends a lot of time with employees going over their entire financial plan. She stated that their web site has a video library that includes many webinars that provide financial and retirement information.

Chair Zerkle stated that she would like to have some discussion regarding stipulations on borrowing money from the pension.

General Manager Lark respectfully asked that the Board Trustees approve the resolution for the acceptance of the 2013 Financial Statements that will allow these documents to be filed with the Corporate Secretary and placed on file.

Moved by Trustee Bossenbery, Seconded by Trustee Thomas, to approve the following resolution:

RESOLUTION

ACCEPTANCE OF 2013 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSION PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN(VEBA)

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

Staff comments: All three Plans received clean audit reports.

Action: Motion Carried

Excused Absence

Motion by Commissioner Ward, Seconded by Commissioner Thomas to excuse Commissioners McCloud and Price from tonight's meeting.

Action: Motion Carried

On **Motion** by Trustee Thomas and Seconded by Trustee Bossenbery with no further business, the Pension Fund Trustees meeting adjourned at 7:27 p.m.

Action: Motion Carried

Submitted by:

M. Denise Griffin

Corporate Secretary

HUMAN RESOURCE COMMITTEE

November 12, 2013

The Human Resource Committee of the Lansing Board of Water and Light met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:15 p.m. on Tuesday, November 12, 2013.

Acting Human Resource Committee Chairperson Cynthia Ward called the meeting to order and asked the Secretary to call the roll. The following members were present:

Commissioners, Anthony McCloud, Cynthia Ward and Sandra Zerkle. Also, present Commissioners Margaret Bossenbery, Dennis M. Louney and Tony Mullen.

Absent: Commissioner Tracy Thomas

Public Comments

Ron Byrnes, Business Manager Local Union 352, spoke about the Health Retirement Accounts (HRA) agenda item. Mr. Byrnes stated that he has not been informed as to what the Administration is asking the Board to consider this evening but has concerns about retirement accounts. In 1997, the BWL implemented a Defined Contribution Pension Plan and because of the volatility of the market in recent years, it has stopped several employees from being able to retire and as a result of that, he has concerns that implementing a HRA would prohibit employees from being able to retire as well and prohibit them from securing a retirement. Mr. Byrnes said that he has concerns about the future of BWL's workforce as far as recruiting and obtaining the next generation such as engineers, electricians, line workers, IT personnel, and highly skilled individuals because of the possibility of reducing retirement benefits to an HRA. The BWL was proactive about 15 years ago and established a VEBA Trust Fund for Retiree healthcare cost and that is very well funded and because the BWL was proactive he does not see any reason why the BWL should go in another direction and create a HRA fund for employees. Mr. Byrnes stated that he does not believe that HRA's are prevalent in the utility industry and that there are many questions surrounding this proposed health retirement account. He asked the Commissioners to consider this as a major decision for the utility and that before any decision is made, to make sure all the questions are answered.

Approval of Minutes

Motion by Commissioner McCloud, seconded by Commissioner Zerkle to approve the Human Resource Committee meeting minutes of July 16, 2013.

Action: Carried unanimously.

Health Retirement Accounts

General Manager Lark presented the Human Resource Committee with information and a Resolution on Health Retirements Accounts (HRA). General Manager Lark presented the following information in his PowerPoint presentation:

- Why Consider a HRA

General Manager Lark stated that there are rising costs of healthcare for retirees such as changes in accounting guidelines and healthcare reform guidelines as well. One of the effects under the new Affordable Care Act is if we don't do something to bring the cost of the healthcare more in line with the Affordable Healthcare Act there is going to be a 40% excise tax to be paid by either the employee or the BWL itself.

- Current Retiree Health Plans
 - Current retirees and employees hired before January 1, 2009 when retire Pay no deductible
 - Pay no premium sharing
 - Pay \$5 co-pay office visits
 - Pay \$2/\$12 Rx co-pays
 - Employees hired after January 1, 2009 have copays, deductibles and premium sharing that will equal active employees copays, deductibles and premium sharing when they retire
- Proposed Retiree Health Care Plan - Health Retirement Accounts for New Employees Hired after April 1, 2014

General Manager Lark stated what we are looking at is more of a Defined Contribution Plan style than a Defined Benefit. Employees hired after a certain date would:

- Move to a defined contribution style of benefit for future health care plan costs for retirees instead of the current defined benefit style
- New employees hired under the HRA Plan will participate in BWL's health care plan while they are active employees.
- These employees will receive a contribution into a Health Retirement Account during their years of active employment.
- The money that has accumulated in the Health Retirement Account would be used to purchase health insurance upon retirement.
- New employees hired after April 1, 2014 would not participate in the BWL's retiree health care plan when they retire.
- Benefits of Health Retirement Accounts

General Manager Lark stated that he does feel this is a good plan and the Board should look at it. This is a way that the BWL can be responsible going forward 30 years from now, because the plan that we are talking about is only for new hires. Listed below are some of the benefits of the proposed plan as indicated in the PowerPoint:

- Predictability of employer expenses
- Reduction of employer cost

- Retiree health care expenditures are visible and clear to employer and retirees fostering a greater understanding of the costs
- Eliminate “Cadillac Plan” excise tax exposure for that population of retirees
- Eliminate future liabilities for obligations under Governmental Accounting Standards Board (GASB), Statement 45 for that population of retirees
- National Survey of Employer-Sponsored Health Plans 2012

General Manager Lark said this is not an unusual concept and presented the following statistics:

- 54% of Governments offer medical plan to pre-Medicare eligible retirees
- 38% of Governments offer medical plan to Medicare eligible retirees
- Of Governments that do offer medical plan 37% do not expect to offer plans within 5 years

General Manager Lark said this is about employees, it is about the BWL and it is about our owners, the residents of City. He said that he is putting something before the Board to think about and if you, the Board, tell me not to go forward, we will not. The proposed resolution asks the Board to allow the management to work with a 3rd party administrator to create a plan to present to one of the Committees and forward to the full Board for consideration.

After a lengthy conversation regarding the necessity of a resolution for this matter Acting Chair Ward said to General Manager Lark, “If you are trying to get a sense from the Board whether we want you to move forward to continue to explore the idea of the Board looking in to an HRA, I have heard no opposition from the Board, certainly not from the Human Resources voting members.” The Resolution was not acted on.

Directive: “You can go forward and continue to explore and return back with the additional information that you are seeking.”

Other

None

Excused Absence

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle to excuse Commissioners Thomas from tonight’s meeting.

Adjourn

There being no further business, the Human Resource Committee meeting adjourned at 6:04 p.m.

Respectfully submitted,
Cynthia Ward, Acting Chair
Human Resource Committee

FINANCE COMMITTEE
November 12, 2013

The Finance Committee of the Board of Water and Light met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 6:09 p.m. on Tuesday, November 12, 2013.

Finance Committee Chairperson Margaret Bossenbery called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Margaret Bossenbery, Tony Mullen, Dennis M. Louney and Alternate Committee Member Cynthia Ward. Also present were Board Members Anthony McCloud and Sandra Zerkle.

Absent: Commissioner Price

Public Comments

There was no Public Comment.

Approval of Minutes

Motion by Commissioner Mullen, seconded by Commissioner Louney to approve the Finance Committee meeting minutes of October 10, 2013.

Action: Carried Unanimously

Internal Audit Update

Internal Auditor Phil Perkins presented a brief overview of :

- FY 2014 Audit Plan Progress Report
- Plan for Remainder of FY 2014

FY 2014 Audit Plan Progress Report

Engagements Completed or in Progress:

1. Records Retention Management In progress; about 60% completed. Anticipate completion by January 2014.
2. Fuel Procurement In progress; about 65% completed. Anticipate completion by December 2013
3. Accounts Payable Audit – just started, anticipate completion in Feb-Mar 2014.
4. Time Reporting Review #1 – completed August 2013.
5. Surprise Cash Count #1 – completed September 2013.

Plan for Remainder of FY2014

Engagements Planned:

1. Close the Books Processes & Controls – planned start in January 2014.
2. Software Licensing Compliance – planned start in March 2014
3. IT Preliminary Risk Assessment – in progress throughout FY 2014
4. Time Reporting Review #2 – to be completed between Jan-Jun 2014.
5. Surprise Cash Count #2 – to be completed between Jan-Jun 2014.
6. Risk Assessment/Planning for FY2015 (Mar-Jun 2014)

Quarterly Financial Update

General Manager Lark stated that all Commissioners should have received an electronic Quarterly Litigation Update earlier today.

General Manager Lark provided a quarterly financial update that included information relative to Fiscal Year to date of September 30, 2013 for Electric, Water, Steam and Chilled Water services.

General Manager Lark reviewed the 1st Quarter Financial Report.

Actual v. Budgeted Variance in Combined Utility Net Income
Fiscal Year to Date September 30, 2013
Compared to FY 2014 Budget

	(\$000)
Budgeted Net Income	5,779
Changes in Operating Income:	
<u>Revenue Changes (net of fuel)</u>	
Retail Electric	(1,785)
Wholesale Electric	186
Water Sales	71
Steam Sales	409
Chilled Water Sales	(16)
<u>Operating Expense Changes</u>	
Depreciation	1,253
Labor, Material, and Other	5,672
Other	<u>(373)</u>
Subtotal Changes in Operating Income	5,416
Changes in Other Income:	
Interest Earnings	491
Other Income	793
PILOT	(952)
All Other - Non-Operating Variances	<u>368</u>
Subtotal Changes in Other Income	<u>700</u>
Actual Net Income	11,895

Revised Combined Utility Net Income
Projection Fiscal Year 2014
Based on 1st Quarter Operating Results
Net Income Projection - FY2014

	(000s)
Net Income - Original Budget - Annual	\$ 2,665
FYTD Favorable Income Variance <i>(\$11,895 actual minus \$5,779 budget)</i>	\$ 6,116
Temporary O&M Expense Timing Differences	\$ (5,672)
Temporary Non-Operating Income Timing Differences	\$ (1,652)
Effect of Changes in Rate Proposals	\$ 1,256
Effect of PILOT Increase from 5% to 6.1%	\$ (2,757)
Projected Net Income	\$ (44)

General Manager Lark stated that currently his Administration is in the middle of budget meetings and is hopeful that some of the money that is on the timing difference line of almost of \$6 million may not be spent this year, but cannot say right now, as we have to wait until Budget meetings are complete. Mr. Lark said that in all likelihood net income will not going to be high, however , we did not expect it to be as you can see that the net income that we expected for the whole year was \$2.6 million.

Revenue Requirements

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: General Manager Lark stated that we have gone through a couple of PILOT increases from 4% to 5% and from 5% to 6.1% which was were not reflected in our budget totaling almost \$11 million. This resolution would make up for some of that and get us a closer to the \$32 million net income that proposes a 6.1% Return on Equity that the Board has indicated by resolution that we should earn. The resolution asks the Board for authority to set a public hearing date. General Manager Lark stated that the BWL is currently an AA- Rated Utility and reviewed the importance of maintaining that status. General Manager Lark reviewed the O&M expenses from FY 2009 through FY 2014 stating that we have held O&M spending flat over the last five years.

Proposed Resolution Public Hearing for 2014 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 \$19.3 million of Electric net income, \$9.2 million of water net income, \$2.4 million of steam net income, and \$1.2 million of chilled water net income; and

WHEREAS, the Fiscal Year 2014 budget filed with the City of Lansing included proposed rate increases for the electric, water, steam, and chilled water utilities that would bring rates more in line with each utilities cost of service; and

WHEREAS: subsequent to the budget filing with the City, the PILOT payment to the City of Lansing was increased to 6.1%; and

WHEREAS, the Fiscal Year 2014 budget would result in an electric net income of \$3.4 million or a 0.70% return, a water net income of \$977,000 or a 0.47%, a steam net loss of \$1.7 million or a negative 3.13%, and a chilled water net income of \$333,000 or a 1.22% returns before consideration of the increased PILOT payment; and

WHEREAS, the increased PILOT payment will result in a net loss for the Fiscal Year; and

WHEREAS, BWL management proposes to increase annual electric, water, steam, and chilled water billings by \$14 million, \$3.2 million, \$1.0 million, and \$.2 million respectively; and

WHEREAS, BWL management proposes to add an Economic Development Rider for large commercial and industrial customers; and

WHEREAS, BWL management proposes to decrease the electric renewable energy surcharge for all rate classes and add an adjustment mechanisms for the Energy Optimization and the Renewable Energy Plan surcharges; and

WHEREAS, BWL management proposes to change the application charge for new electric and water customers from \$7.00 to \$10.00: and

WHEREAS, the proposed rate adjustments will not take effect until March 1, 2014,

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 23, 2014 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 office Depot, 1201 S. Washington Avenue. The Corporate Secretary is directed to file with the City Clerk no later than December 2, 2013 information regarding proposed rate adjustments with an effective date of March 1, 2014.

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

Action: Motion Carried

Excused Absence

Motion by Commissioner Louney, Seconded by Commissioner Mullen to excuse Commissioners Price from tonight's meeting.

Other

General Manager Lark announced that there will be a news conference on November 21st at the Granger Wood Road Generating Station at 10:00 a.m. celebrating the 5th Anniversary of Granger providing Renewable Energy to the BWL.

General Manager Lark also announced that the BWL won the ENR Award, for the Midwest Best Project of the year in the category of Industrial Energy. Chair Zerkle will go to Chicago and represent the BWL and receive the award.

Adjourn

On Motion by Commissioner Mullen, seconded by Commissioner Louney, the meeting adjourned at 6:54 p.m.

Respectfully submitted
Margaret Bossenbery, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

General Manager Lark respectfully asked that the following Resolutions be considered for approval.

RESOLUTION #2013-11-01

ACCEPTANCE OF 2013 AUDITED FINANCIAL STATEMENTS FOR THE DEFINED BENEFIT PENSION PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN (VEBA)

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

Staff comments: All three Plans received clean audit reports.

Motion by Commissioner Boysenbery, seconded by Commissioner Price, to Received and Placed on File the FY 13 Audited Financial Statements for all three pension plans.

Action: Carried Unanimously

General Manager Lark stated that the particulars of this Resolution involve setting a Public Hearing to consider proposed rate changes to increase revenue available to operate and maintain the Electric, Water, Steam and Chilled Water systems. Also the proposed in this Resolution is a new electric development rider for larger commercial and industrial customers and a substantial reduction in the Renewable Energy Plan surcharge for residential customers as well as an increase in the new customer application charge. General Manager Lark asked that the Resolution setting a Public Hearing for January 23, 2014 be considered.

RESOLUTION #2013-11-02

Public Hearing for 2014 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 \$19.3 million of Electric net income, \$9.2 million of water net income, \$2.4 million of steam net income, and \$1.2 million of chilled water net income; and

WHEREAS, the Fiscal Year 2014 budget filed with the City of Lansing included proposed rate increases for the electric, water, steam, and chilled water utilities that would bring rates more in line with each utilities cost of service; and

WHEREAS: subsequent to the budget filing with the City, the PILOT payment to the City of Lansing was increased to 6.1%; and

WHEREAS, the Fiscal Year 2014 budget would result in an electric net income of \$3.4 million or a 0.70% return, a water net income of \$977,000 or a 0.47%, a steam net loss of \$1.7 million or a negative 3.13%, and a chilled water net income of \$333,000 or a 1.22% returns before consideration of the increased PILOT payment; and

WHEREAS, the increased PILOT payment will result in a net loss for the Fiscal Year; and

WHEREAS, BWL management proposes to increase annual electric, water, steam, and chilled water billings by \$14 million, \$3.2 million, \$1.0 million, and \$.2 million respectively; and

WHEREAS, BWL management proposes to add an Economic Development Rider for large commercial and industrial customers; and

WHEREAS, BWL management proposes to decrease the electric renewable energy surcharge for all rate classes and add an adjustment mechanisms for the Energy Optimization and the Renewable Energy Plan surcharges; and

WHEREAS, BWL management proposes to change the application charge for new electric and water customers from \$7.00 to \$10.00: and

WHEREAS, the proposed rate adjustments will not take effect until March 1, 2014,

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 23, 2014 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 office Depot, 1201 S. Washington Avenue. The Corporate Secretary is directed to file with the City Clerk no later than December 2, 2013 information regarding proposed rate adjustments with an effective date of March 1, 2014.

Motion by Commissioner Price, seconded by Commissioner McCloud, to approve the resolution setting a Public Hearing for January 23, 2014 to solicit input on proposed 2014 Rate Changes.

Action: Carried Unanimously

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTIONS

RESOLUTION #2013-11-03



BOARD MEETING SCHEDULE

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

RESOLVED, That regular meetings of the Board of Water & Light's Board of Commissioners are hereby set for calendar year 2014 as follows, unless otherwise notified or as a result of date conflicts with rescheduled City Council meetings:

2014

Board of Water and Light Commissioners
Regular Board Meeting Schedule

Tuesday	January 28
Tuesday	March 25
Tuesday	May 27
Tuesday	July 22
Tuesday	September 23
Tuesday	November 18

Meetings will be held in Board of Water and Light's REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m.

RESOLVED FURTHER, That a notice of the meeting schedule be published in the Lansing City Pulse the week of January 1, 2014.

Motion by Commissioner Price, seconded by Commissioner Ward, to approve the Resolution setting the 2014 Regular Board Meeting Dates.

Action: Carried Unanimously

MANAGER'S REMARKS

General Manager Lark provided the following information:

General Manager Lark announced and provided the following information:

- "Silver Bell in the City" is this Friday, November 22nd.
- The Toy Mill event will take place on Friday the 22nd at Noon at the corner of Washington Square and Ottawa.
- There are only 82 remaining customers without power due to the recent power outage. All customers are expected to have power no later than tomorrow afternoon.
- Granger will be celebrating the Five-Year Anniversary of providing Renewable Energy to the BWL. The celebration is Tuesday, November 21st at 10:00 a.m. at the Granger Wood Rd. Generating Station; donation of this celebration will go to the Pennies for Power" program.
- The Engineering News Record (ENR) has named the BWL REO Town project the Midwest Best Project of the year in the category of Industrial Energy. Chair Zerkle will go to Chicago, represent the BWL, and receive the award.

General Manager Lark responded to questions presented to him from a BWL Commissioner.

Question #1- Does the BWL know how much money will be saved with the new LED Lights installed on Michigan Avenue?

“The cost of the new LED Lights cannot be compared directly with existing lights since they required additional features requested by the City. Features such as speakers, cameras for law enforcement and panic buttons for emergencies. The lights will cost more for the additional features, however there are offsetting savings. These lights have been provided to the City on a full cost of service basis.”

Question #2- Was light pollution considered with the installation of the new LED Streetlights?

The City requested these lights, as they are usually not carried in our inventory for the additional features that they provide.

COMMISSIONERS' REMARKS

Commissioner Ward stated that she wanted to add her personal thanks to the Board's Staff and Crew who have worked long hard hours over the past few days to respond to various outages in our service area. She said given her encounters with customers over the last few days she just wanted to share that not all of their hard work has gone unnoticed and that she is very appreciative as are all of the people that she has spoken with.

EXCUSED ABSENCE

Excused Absence

Motion by Commissioner Thomas, Seconded by Commissioner Ward to excuse Commissioners Mullen from tonight's meeting.

PUBLIC COMMENTS

Brad van Gilder, Organizing Representative for the Sierra Club spoke an article in a local newspaper regarding the discontinuation of certain steam units. He asked for confirmation regarding phase out dates of three existing turbines at the Eckert Plant.

General Manager Lark stated that the Sierra Club has meet with George Stojic, Executive Director of Strategic Planning and Development, numerous times in which this was the topic of discussion.

ADJOURNMENT

On motion by Commissioner Price, seconded by Commissioner Ward the meeting adjourned at 6:03 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: December 2, 2013
Official Minutes (Electronic) filed with Lansing City Clerk: January 30, 2014