

BOARD OF WATER AND LIGHT
REO Town Depot
1201 S. Washington Ave. - Lansing, Michigan
July 26, 2016 - 5:30 p.m.
BOARD MEETING AGENDA

- 1. Roll Call**
- 2. Pledge of Allegiance**
- 3. Election of Officers FY 2016-2017**
- 4. Approval of Minutes**
 - a. Regular Board Meeting-May 24, 2016
- 5. 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.
- 6. Communications**
 - a. Email from Scott Boehme, E. Lansing, MI re: The installation of a Geothermal power plant
 - b. Email from Kyle Shumaker, business owner re: A recent power outage
 - c. Letter from Brad van Guilder of the Sierra Club re: Access to the Board of Water and Light's Integrated Resource Planning (IRP) information
- 7. Committee Reports**
 - a. Human Resources Committee (May 31, 2016) –Tony Mullen, Chair
 - b. Human Resources Committee (June 21, 2016) –Tony Mullen, Chair
 - c. Nominating Committee (June 21, 2016) – Anthony McCloud, Chair
 - d. Finance Committee (July 12, 2016) – Ken Ross, Chair
- 8. Manager's Recommendations**
 - a. Resolution: Fiscal Year 2018-2022 Capital Forecast
- 9. Unfinished Business**
- 10. New Business**
 - a. Appointment of Executive Committee
- 11. Resolutions/Action Items**
 - a. Resolution: Reappointment of Corporate Secretary
 - b. Resolution: Reappointment of Internal Auditor
 - c. Resolution: Reappointment of General Manager
 - d. Resolution: Internal Auditor Charter Approval
 - e. Resolution: Internal Auditor Audit Plan for FY17
 - f. Resolution: Return on Assets
- 12. Manager's Remarks**
- 13. Commissioners' Remarks**
- 14. Motion of Excused Absence**
- 15. Public Comments**

Members of the public are welcome to speak to the Board on any Board of Water and Light subject.
- 16. Adjournment**



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

LANSING BOARD OF WATER AND LIGHT

May 24, 2016

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, May 24, 2016.

Chairperson David Price called the meeting to order at 5:31 p.m.

Present: Commissioners Mark Alley, Dennis M. Louney, Tony Mullen, David Price, Ken Ross, Tracy Thomas and Sandra Zerkle. Non-Voting Commissioners present: Mike Froh (Meridian Township), Bob Nelson (East Lansing) and Bill Long (Delta Township).

Absent: Commissioner Anthony McCloud

The Corporate Secretary declared a quorum.

Commissioner Tracy Thomas led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Thomas, Seconded by Commissioner Zerkle to approve the Regular Board Meeting minutes of March 22, 2016.

Action: Motion Carried

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.

- Speakers: Regina Strong, Sierra Club, Director of Beyond the Coal Campaign
- Carol Rall, Lansing, MI
- Steve Rall, Lansing, MI
- Brad Van Guilder, National Sierra Club

The speakers above made the following comments and submitted them in writing:

- Lansing is at a crossroads in its energy future. The Board very wisely instructed the utility to undertake a 20-year integrated resource planning process, and rightly asked the utility to have robust, open and transparent public input into that process. The Board rightly recognized that the preferences of the citizens of Lansing of course should drive the shaping of Lansing's energy future.
- Unfortunately, the planning process has not lived up to the Board's vision.
- Sierra Club hired independent experts with decades of utility planning experience to review the BWL's planning process and proposal. MSB Energy Associates, led by Geoff Crandall, worked for the Michigan Public Service Commission and has been an expert ever since. George Evans is an expert modeler who has testified many times before the MPSC on proposals by DTE and Consumers.
- Today, Sierra Club will be releasing a report by these experts that identifies several serious problems with the BWL's planning process that may have led to some large missed opportunities for a cleaner, more reliable, and lower cost energy future.
- This expert report says that it is critical these issues be addressed and that the BWL fix its modeling before the Board makes a decision on how it will meet Lansing's energy needs over the next 20 years.
- The first big issue identified is that the BWL didn't look at the costs and risks associated with keeping Erickson online through 2030. There are a bunch of environmental regulations that could mean large capital investments would be needed to keep Erickson online that long.
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- The first big issue identified is that the BWL didn't look at the costs and risks associated with keeping Erickson online through 2030. There are a bunch of environmental regulations that could mean large capital investments would be needed to keep Erickson online that long.

- We will be making this report public after this meeting. There are other issues it identifies, and all of them should be fixed before this Board makes any decisions about its future energy needs.
- Now, to date, the BWL hasn't made any of its underlying data and modeling assumptions available to the public, despite our repeated requests. If our experts could see that data, we could have a lot more useful input into what the revised modeling scenarios should look like. The BWL is keeping everything under lock and key. This is all information that we have access to when we participate before the Michigan Public Service Commission. There is even less reason to deny the public access to that information here, where the utility is owned by the people of Lansing. We ask that the BWL make available all of that information to any member of the public who wants to see it, and that the BWL then sit down and run new modeling scenarios that address concerns identified.
- This is too important to get wrong. We are talking about the future of this utility during the most critical years for stopping climate change. Our recent poll showed that the people of Lansing want a clean, responsible plan, and prefer a future that doesn't include more fossil fuels. The people of Lansing deserve a full and fair consideration of that future. But they won't get it without a truly open and transparent process.

In addition, the speakers above presented the Board with copies of the Review of Lansing Board of Water and Light's Integrated Resource Plan, prepared by MSB Energy Associates and Evans Power Consulting, on behalf of the Sierra Club.

COMMUNICATIONS

- a. Proposed Resolution for a Franchise Fee from City of East Lansing
Referred to Finance Committee and Management/Received and Placed on File
- b. Key Information to Make Publically Available, submitted by the Sierra Club Beyond Coal to Clean Energy
Referred to Executive Management/Received and Placed on File

COMMITTEE REPORTS

COMMITTEE OF THE WHOLE May 10, 2016

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, May 10, 2016.

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, Mark Alley, Anthony McCloud, Tony Mullen, David Price, Ken Ross, Tracy Thomas, Sandra Zerkle and Non-Voting Members: Michael Froh (Meridian Township), Bill Long (Delta Township) and Robert Nelson (East Lansing).

Absent: None

Corporate Secretary declared a quorum.

Committee of the Whole Chair Louney deviated from the printed agenda momentarily to allow additional time for printing of the Integrated Resource Plan (IRP) packets.

Committee of the Whole Chair Louney, informed the Commissioners of an invitation that was provided to them at their seating areas regarding the upcoming 1st S.T.E.P. Award Ceremony that is being held on May 16, 2016.

Approval of Minutes

Motion by Commissioner Ross, Seconded by Commissioner Price, to approve the Committee of the Whole meeting minutes of March 8, 2016.

Action: Motion Carried

Public Comments

None

Public Act (PA) 295

Annual Energy Optimization Update

Sue Warren, Manager of the Energy and Eco Strategies Department, provided the Committee with the Annual Renewable Energy and Energy Optimization Plans/Report. This report is a Public Act requirement imposed by the State of Michigan's Public Service Commission (MPSC). Ms. Warren stated that according to Public Act 295, the BWL is required to provide the governing board with an update on last year's activities for each of those programs. The BWL files an annual report with the MPSC and also provides notice to customers by way of BWL's *Connections* newsletter.

Energy Optimization 2015 Programs

- Services for Low Income Customers
- Residential Programs
 - High Efficiency Lighting
 - Appliance Turn-in & Recycling
 - Multi-Family Services
 - Energy Star Products/Equipment
- Business Prescriptive & Custom Incentives
- Energy Education Services
- Pilot programs

Program Highlights

- Education in the Community
 - Attended 31 local events with 7,300 attendees
 - Did 25 presentations to community
- Pilot Programs
 - Think! Energy (school program with Consumers Energy)
 - Michigan Saves Low Interest Financing

Ms. Warren reviewed the Million Kilowatt Hour Club status. The club was established to honor customers that participated in the BWL's efficiency programs and saved a million kilowatt hours. The goal of saving a million kilowatt hours can be accomplished by an accumulation of projects over several years.

Million Kilowatt Hour Club

New Members for 2015	
WMU Cooley	1,009,599
Sparrow Hospital	1,148,058
Ashley Capital & Peckham	1,197,029
General Motors	10,068,644
BWL	1,325,000

Previous Members	
State of Michigan DMB	Quality Dairy
Lansing School District	General Motors
Peckham Vocational Ind.	Ashley/Ryder
Demmer Properties LLC	

Annual Renewable Energy Update

Ms. Warren conveyed that the BWL Renewable Energy Program has met the Renewable Portfolio Standards (RPS) and due to the ability to carry forward Renewable Energy Credits (REC's), no additional renewable energy is needed until 2020.

Ms. Warren stated that the BWL will continue to work with Gro Solar for the utility scale project. Also underway is the development of community solar projects that will be located in East Lansing and Lansing.

BWL's current portfolio consists of the purchase of energy and Renewable Energy Credits for landfill gas from Granger, small amounts of hydro from Tower Clever, and wind from Exelon. In addition, the BWL owns a solar array on Cedar Street, a small array located on the roof of the BWL's Reo Headquarters facility and the BWL operates a hydro plant.

In conclusion, Ms. Warren stated that the BWL is continuing to look at renewable energy options. One of the things that the Citizens Advisory Committee (CAC) group is looking into through the Integrated Resource Plan (IRP) process is determining how renewable energy fits in with the company's energy needs in the future.

Commissioner Ross inquired about being provided an energy optimization comparison in the future in order to determine how the BWL measures up against other municipal utilities.

Integrated Resource Plan (IRP) Presentation

Steve Transeth, Co-Chair of the IRP Citizen Advisory Committee (CAC), presented the CAC's recommendation. Mr. Transeth began by describing the process followed by the CAC and thanked the Committee members for their work on the Integrated Resource Plan (IRP).

Mr. Transeth indicated that the Committee met eight times from October, 2015, to April, 2016, and that the first six meetings were open to the public. He described the public meetings as "grounding" meetings that covered BWL operations, projections of energy needs, modeling assumptions and data, and scenario development. Mr. Transeth stated that the final two meetings were closed meetings to allow for deliberations.

The final meetings focused on adopting guiding principles for developing recommendations and reviewing the results of modeling scenarios. He indicated that the Committee also considered the results of the EPIC/MRA survey of BWL customers. The survey and guiding principles indicated that important planning goals include affordability, reliability, clean energy, and economic development.

Mr. Transeth stated that the Committee first reviewed three resource portfolios developed by the BWL, but rejected the market based portfolio because of cost, volatility, and the preference of Lansing area customers for local generation. He noted that the Committee members requested the BWL to run five additional resource portfolios, including three with 85MW of wind energy entering service in 2018.

Mr. Transeth explained that the Committee considered a recommendation to increase the energy efficiency component of the plan beyond the 1% annual savings amount. However, the Committee did not adopt this recommendation because of the impact on low income customers. According to Mr. Transeth, as sales decline, rates increase. For customers who can take advantage of energy efficiency programs, their bill may be lower because of the energy savings. However, many low income customers rent and landlords are reluctant to invest in more expensive energy efficiency products. As a result, low income customers are required to pay higher rates without benefiting with lower bills. The cost of utility service increases the most for these low income customers.

In addition to the resource portfolio, Mr. Transeth stated that the Committee was making additional recommendations, which are: (1) review the IRP at four year intervals, (2) regularly review the cost of renewable energy technology, particularly energy storage, and (3) explore opportunities to expand the BWL's energy efficiency program.

After deliberations, the Committee arrived at a recommendation that includes 85MW of wind in 2018, 40MW of solar energy in 2020, 100MW of natural gas generation in 2020, an additional 140MW of solar energy between 2020 and 2030, an additional 300MW of natural gas generation in 2030, and a 1% energy savings each year. Although this is not the lowest cost plan, it is not significantly more expensive than the reference (lowest cost) plan and results in a balanced plan that best meets the goals of affordability and clean energy while maintaining electric reliability within the BWL's service territory. Mr. Transeth also indicated that planning flexibility is also important.

Following the presentation, Mr. Transeth answered questions regarding the IRP.

By order of Committee of the Whole Chair Louney, the meeting recessed at 6:17 p.m. and reconvened at 6:34 p.m.

Proposed Strategic Plan Update

General Manager Peffley introduced Steve Brennan, Manager of Planning Business Development who presented the Committee of the Whole with the proposed Strategic Plan process.

Mr. Brennan stated that the purpose of the strategic plan is to provide guidance for fulfilling the mission of the organization. It affirms the mission and the values; it takes stock of our current situation and its future demands, outlines challenges, identifies potential approaches and recommends strategies for success.

Mr. Brennan clarified the following regarding the process and outcome of the new/revised Strategic plan:

Purpose

The purpose of the strategic plan is to provide guidance for fulfilling the mission of the organization. It affirms the mission and the values; it takes stock of our current situation and its future demands, outlines challenges, identifies potential approaches and recommends strategies for success.

Values

The values are enduring, passionate, and distinctive core beliefs. They are the guiding principles for the company. Our current values are reliability, environmental stewardship, affordability, community, and health and safety.

Mission

The mission statement clarifies the purpose of the organization and the values that guide it. It addresses both what the company seeks to accomplish and in which manner the organization will accomplish it.

Goals

The goals present a big picture of an ideal future condition as the utility desires it. They are a broad aim at what we want to accomplish. In our 2008 Strategic Plan, the goals were:

- Provide superior customer service
- Assure adequate energy supply
- Develop new management strategies
- Lead through community involvement.

Objectives

The objectives are specific measurable outcomes that are steps toward attaining a goal. In our 2008 Strategic Plan the objectives were:

- Developing a highly qualified, diverse, and effective work force
- Be recognized as a leader in community service
- Meet or exceed all environmental standards
- Be a good environmental steward

Strategies

Strategies are action statements that define the steps the company will take to achieve its objectives.

Mr. Brennan indicated that the BWL would like to do this in three phases:

Implementation – Phase 1

1. Start review of industry trends
 - Identify the resources we will use
2. Present to the Executives– email of individually
 - The purpose of the Strategic Plan
 - Definition of the Core Values
 - Current Mission Statement
3. Executives will:
 - Determine if the current Mission Statement reflects the Values
 - Perform SWOC analysis
 - Identify Managers and Subject Matter Experts (SMEs) for phase 2
4. Strategic Plan Team will:
 - Identify Goals and logical Objectives

Implementation – Phase 2

1. Present to Managers and SMEs
 - Purpose, values, mission
 - Overview of Executive SWOC
 - Goals and Objectives
 - Overview of Industry Trends
2. Feedback on “What we are missing”
3. Perform SWOC analysis
4. Create Objectives and Strategies
5. Strategic Planning Team will put together draft

- Present the identified Goals and Objectives to the Executives
 - Incorporate feedback on Goals, if necessary
5. Executives approve the Goals

Implementation – Phase 3

1. Present draft to Executives in June
 - Gather feedback
 - Incorporate feedback into draft
2. Present draft to Commissioners in July
 - Gather feedback
 - Incorporate feedback into draft
3. Board of Commissioners approve Final Report in September

Mr. Brennan answered questions regarding the Strategic Plan. In summary it was stated that the Strategic Plan is a living document and recommendations from the Board’s perspective will be incorporated into the plan.

Central Substation Project

General Manager Peffley provided an update on the Central Substation project. Mr. Peffley informed the Committee that the staff attended the Parks Board hearing a few weeks ago where the Central Substation project received a 5-3 vote in support of the location. The next step is to proceed to the Planning Board and then to the City Council for approval. If approved there is the possibility of construction, beginning in the fall.

Other

Human Resource (HR) Chair Tony Mullen provided each Commissioner with evaluation documents pertaining to its three appointed employees and indicated that he would also be emailing the documents to the Commissioners before the upcoming HR Committee meeting.

Public Comment

The following individuals stated their concerns regarding the IRP process:

- Regina Strong, Sierra Club, Director of Beyond the Coal Campaign
- Steve Rall, Lansing, MI
- Dave Erickson, Lansing, MI
- Lynn Stauff, Lansing, MI

Brad Van Guilder, National Sierra Club, in addition to stating his concerns regarding the IRP process, also provided document entitled “Key Information to Make Publicly Available” to the Commissioners and asked that it be addressed.

Jim Weeks, Executive Director of the Michigan Municipal Electric Association (MMEA) spoke in support of the IRP process.

Excused Absence

None

Adjourn

On Motion by Commissioner Price, Seconded by Commissioner McCloud, the meeting adjourned at 7:15 p.m.

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

FINANCE COMMITTEE
May 10, 2016

The Finance Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 7:20 p.m. on Tuesday, May 10, 2016.

Finance Committee Chairperson Ken Ross called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Ken Ross, Dennis M. Louney, David Price. Also, present Commissioners Mark Alley, Tony Mullen, and Non-Voting Members Bill Long (Delta Township) and Bob Nelson (E. Lansing).

Absent: Commissioner Tracy Thomas

The Corporate Secretary declared a quorum.

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of March 8, 2016.

Action: Motion Carried

Public Comment

None

Internal Auditor Outside Auditing Services Update

Internal Auditor Perkins informed the Committee that the BWL has had an ongoing contract for augmented internal auditing services with the firm of Charles Moore & Associates. According to Board policy, contracts need to be re-bid every three years, in which the third year is up-coming. According to Board policy, the contract can be renewed for an additional year with the plan being to re-bid the contact next spring.

Update on Open Internal Audit Management Responses

Heather Shawa-DeCook, Chief Financial Officer (CFO) provided an update on the Management's response to Internal Audits. Ms. Shawa-DeCook covered the following issues and provided an update for each:

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
Open Issues:					
12	Record Retention	Internal Audit found that records on hand did not always correspond with the Record Retention Schedule; namely, a portion of I-9 forms and some asbestos bills of lading.	March 2014	Human Resources	I-9 forms are on file for all active employees. An appropriate retention schedule for the asbestos bills of lading was determined and updated as part of the overall review of the Record Retention Schedule. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred on 4/24/16, with the approval process expected to take approximately three months.
13	Record Retention	The Internal Auditor determined that records on hand in departments did not always correspond with the Record Retention Schedule.	March 2014	Enterprise Content Management	Enterprise Content Management has reviewed the existing Record Retention Schedule with the appropriate departments and cataloged all proposed revisions. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred 4/14/16, with the approval process expected to take approximately three months.
17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	August 2014	General Accounting	A General Accounting Procedure Manual is being developed, with expected completion by 12/31/16.
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	Work on identifying data on any mobile devices in need of encryption was able to begin once the mobile device usage guidelines (referred to under now-closed issue #26) were established. Completion by 6/30/16 is anticipated.
29	Management of Mobile Devices	Internal Audit recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	Once any data accessed via mobile devices is determined to be in need of encryption (i.e., once issue #27 is addressed), it can be determined to what extent procuring and implementing software with remote cleaning capabilities would be cost beneficial. It is anticipated that this issue will be addressed by 9/30/16.
30	Management of Mobile Devices	Internal Audit recommended disabling data ports on mobile devices.	Sept 2015	Information Technology	Any needed disabling of data ports will be complete by 9/30/16.
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	A successful stress test was performed 4/13/16. Management is reviewing vendor capacity reports and modifying documented procedure to include requirements for a narrative of test results and formal business owner acceptance of test criteria and results. Completion targeted for 6/30/16.
34	Training & Development	Internal Audit supports plans for a new database for tracking training and use of standardized criteria for periodic training course review and training of trainers, on an organization-wide basis.	Dec 2015	Organizational Training & Development	A new "LMS" database has been implemented and training and use of it is in the process of being rolled out, with completion expected by 6/30/16.

Issue #12 and #13 are concerning Retention Records items; the Record Retention updates have been approved and submitted to the State Administration Board for approval. The approval process is expected to take ninety days.

The completion of issue #17 closes the books of the general accounting procedure manual. This is scheduled to be completed by the end of the calendar year.

Issues, #27, #29 and #30 is concerning the management of mobile devices. This report needs revisiting and has an extension date of September 30th.

Issue #33, concerning outage management system is still in process and is currently on schedule for June 30th.

Closed Issues (since 12/31/15 report):

26	Management of Mobile Devices	The Internal Auditor noted that guidelines for mobile device management should be documented.	Sept 2015	Information Technology	Guidelines on the use of mobile devices have been completed.
28	Management of Mobile Devices	Internal Audit questioned whether contract terms and conditions covering data loss and manipulation are sufficient.	Sept 2015	General Counsel	Contract terms and conditions covering data loss and manipulation have been updated.
31	Outage Management System	The Internal Auditor found that procurement procedures regarding technical evaluation during the RFP process need clarification.	Oct 2015	Purchasing	Procurement procedures were updated effective 4/1/16.
35	Training & Development	Employee time which can be categorized as a form of training time was found to not always be identified as such.	Dec 2015	Organizational Training & Development	Refresher training of trainers, including the proper procedures for reporting training time, was completed on 2/20/16.
36	Training & Development	End-of-course evaluations are not always completed by attendees and Organizational Training & Development does not always provide a written summary analysis of evaluations back to trainers, particularly if there are no suggested improvements to consider.	Dec 2015	Organizational Training & Development	Refresher training of trainers, including review of expectations for course evaluation/feedback processes, was completed on 2/20/16.

Issue number #34, concerning Training & Development is on track and scheduled for a June 30th completion.

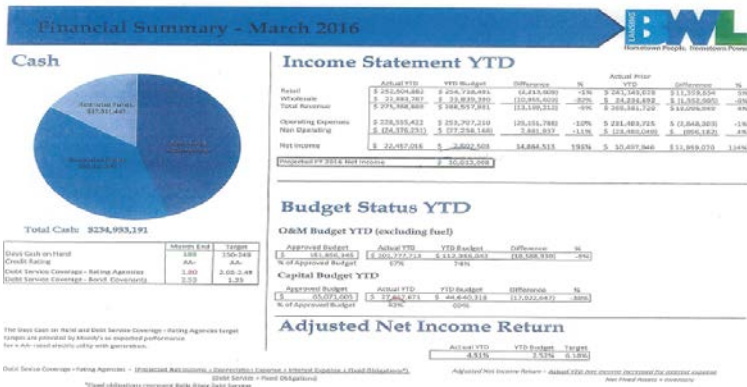
Issue #31, Outage Management System has updated procurement procedures based on audit recommendations and those are now in place.

Issues #35 and #36, concerning Training & Development is completed. Refresher training included the proper procedures for reporting training time.

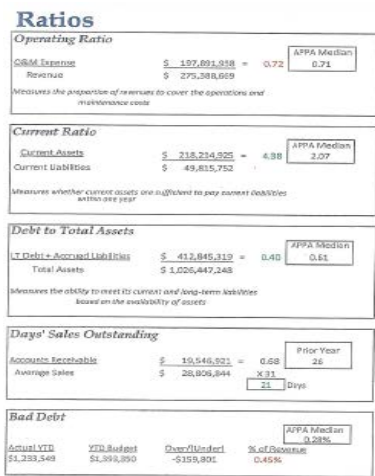
Finance Chair Ross summarized the report as 8 outstanding issues, 5 closed issues and no new issues since the last review.

March YTD Financial Summary

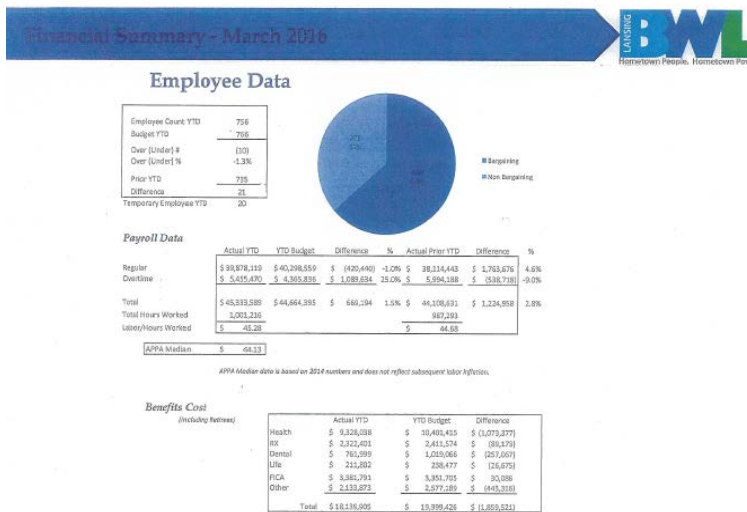
Chief Financial Officer Heather Shawa-DeCook presented the March Year-to-Date Financial Summary.



Heather Shawa-DeCook continued by presenting the March Year-to-Date Financial Summary below:



Scott Taylor, Manager of Finance, discussed and reviewed the Employee Data portion of the March Financial Summary:



CFO Heather Shawa-DeCook presented a PowerPoint presentation and reviewed the FY 17 FY 2017 Financial Plan as follows:

- Sales forecast —Operating expense assumptions —FY 2017 O&M Budget by Category
- FY 2017 Budgeted Net Income & Cash Flow —Comparative Financials (FY 2017 vs. FY 2016)

Sales Volume Forecast

Utility	FY 17 Budget	FY 16 Budget	'17 Budget to '16 Budget	FY 16 Updated Forecast
Electric-Retail (MAH)	2,137,345	2,141,430	-0.00%	2,091,543
Electric-Wholesale (MAH)	767,770	1,024,306	-25.07%	749,546
Electric-Total (MAH)	2,904,915	3,165,736	-8.22%	2,841,089
Water (cfd)	8,534,134	9,038,538	-6.22%	8,446,952
Steam (mths)	744,469	764,969	-2.74%	676,784
Chilled Water (mths)	10,288,000	10,038,000	2%	11,430,000

Electric:

- Retail sales volume by customer class are expected to decrease slightly compared to FY 2016 Budget. The slight decrease better reflects actual experience over the last five years.
- Wholesale sales volume have declined as a result of a decline in expected future market prices. Gasoline is forecasted to be discounted at lower levels due to the lower prices.

Water:

- Retail and wholesale water sales have been decreased to better reflect actual experience over the last five years.

Steam:

- Steam sales volumes have been decreased slightly to better reflect actual experience over the last five years.

Chilled Water:

- Chilled water sales volumes have been increased slightly to reflect increased customer usage.

Comparative Income Statement

Based on Initial Requests Prior to Strategic Alignment and Review

(in \$000's)	FY 2017 Budget	FY 2016 Budget	Increase/ (Decrease)
OPERATING REVENUE	\$ 366,415	\$ 376,675	-3%
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	65,908	61,301	8%
LABOR TO CAPITAL	(6,541)	(6,303)	4%
NET LABOR	59,367	54,998	8%
MATERIAL	14,209	13,516	5%
OTHER - Including Benefits	42,341	46,441	-9%
OUTSIDE SERVICE	40,690	30,037	34%
FUELS, WATER, CHEMICALS & AMINE	143,102	149,730	-4%
OPERATIONS AND MAINTENANCE EXPENSE	\$ 299,409	\$ 294,623	2%
Depreciation Expense	43,153	43,225	0%
TOTAL OPERATING EXPENSE	\$ 342,562	\$ 337,848	1%
OPERATING INCOME	\$ 23,853	\$ 38,827	-39%
Return on Equity	(2,007)	(2,699)	-3%
Other Non-Operating Income/(Expense)	(3,810)	(3,867)	-6%
NET INCOME	\$ 18,046	\$ 2,261	-581%

Comparative Income Statement

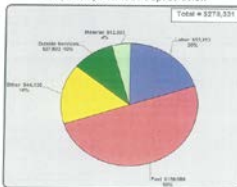
After Strategic Alignment and Review

(in \$000's)	FY 2017 Budget	FY 2016 Budget	Increase/ (Decrease)
OPERATING REVENUE	\$ 366,415	\$ 376,675	-3%
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	62,507	61,301	2%
LABOR TO CAPITAL	(7,255)	(6,303)	15%
NET LABOR	55,252	54,998	5%
MATERIAL	12,357	13,516	-9%
OTHER - Including Benefits	44,131	46,441	-5%
OUTSIDE SERVICE	27,502	30,037	-8%
FUELS, WATER, CHEMICALS & AMINE	139,089	149,730	-7%
OPERATIONS AND MAINTENANCE EXPENSE	\$ 278,331	\$ 294,623	-6%
Depreciation Expense	43,153	43,225	0%
TOTAL OPERATING EXPENSE	\$ 321,484	\$ 337,848	-6%
OPERATING INCOME	\$ 44,931	\$ 38,827	16%
Return on Equity	(2,007)	(2,699)	-3%
Other Non-Operating Income/(Expense)	(3,810)	(3,867)	-6%
NET INCOME	\$ 10,113	\$ 2,261	347%

- Operating Expense Assumptions: Overall FY 2017 O&M decreased by 6% compared to FY 2016 Budget
- Budget assumes 754 FTE's – the same as the FY 16 budget.

FY 2017 O&M Budget by Category

(in \$000's, excludes depreciation)



FY 2017 Income Statement by Utility

(\$000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
SALES (Retail, Wholesale, Steam)	2,904,915	8,534,134	774,469	10,288,000	22,501,518
Retail	\$ 279,805	\$ 36,237	\$ 12,419	\$ 5,707	\$ 334,168
Wholesale	\$ 18,116	\$ 3,111	\$ -	\$ -	\$ 21,227
OPERATING REVENUE	\$ 308,721	\$ 39,348	\$ 12,419	\$ 5,707	\$ 366,415
Operation & Maintenance	\$ (242,027)	\$ (23,960)	\$ (8,619)	\$ (3,221)	\$ (277,827)
Depreciation Expense	\$ (10,830)	\$ -	\$ (2,562)	\$ (1,741)	\$ (14,134)
OPERATING EXPENSE	\$ (252,857)	\$ (23,971)	\$ (10,582)	\$ (4,073)	\$ (311,483)
OPERATING INCOME	\$ 55,864	\$ 15,377	\$ 1,837	\$ 1,634	\$ 74,712
Return on Equity	\$ (18,528)	\$ (2,384)	\$ (747)	\$ (548)	\$ (22,207)
Other Non-Operating Income	\$ 30	\$ 782	\$ (1,548)	\$ 30	\$ 479
Other Non-Operating Expense	\$ (9,341)	\$ (1,706)	\$ (1,891)	\$ (550)	\$ (13,488)
NET INCOME (LOSS)	\$ 27,025	\$ 1,368	\$ (1,156)	\$ 770	\$ 27,025
RATE OF RETURN	3.9%	1.8%	1.5%	4.9%	3.3%

FY 2017 Cash Flow by Utility

(\$000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
BEGINNING OPERATING CASH	61,533	13,699	5,705	9,938	84,875
Sources of Cash					
Net Income	\$ 27,025	\$ 1,368	\$ (1,156)	\$ 770	\$ 27,025
Depreciation	\$ 30,830	\$ 8,013	\$ 3,363	\$ 1,748	\$ 43,954
Loss on Sale of Assets	\$ 634	\$ 321	\$ 225	\$ -	\$ 1,180
Withdrawal from Construction Reserve	\$ 4,881	\$ 1,087	\$ 452	\$ 313	\$ 6,733
Fuel Cost Undercollection	\$ 2,329	\$ (43)	\$ 43	\$ -	\$ 2,329
Net Environmental	\$ 4,508	\$ -	\$ 188	\$ -	\$ 4,696
Pipeline Refund	\$ 2,330	\$ -	\$ 455	\$ -	\$ 2,785
SOURCES OF CASH	\$ 72,930	\$ 13,666	\$ 2,960	\$ 2,830	\$ 92,386
Uses of Cash					
Debt Principal	\$ (5,069)	\$ (2,313)	\$ (1)	\$ (1,465)	\$ (8,848)
Net Capital Expenditures	\$ (42,349)	\$ (14,010)	\$ (3,604)	\$ (853)	\$ (60,816)
Renewable Energy & EOP Plans	\$ (1,131)	\$ -	\$ -	\$ -	\$ (1,131)
Other Uses of Cash	\$ (183)	\$ (41)	\$ (17)	\$ (12)	\$ (253)
USES OF CASH	\$ (49,732)	\$ (14,364)	\$ (3,622)	\$ (1,470)	\$ (69,188)
Net Cash Increase/(Decrease)	\$ 23,198	\$ (798)	\$ (662)	\$ 1,360	\$ 21,058
ENDING OPERATING CASH	84,731	12,901	5,043	11,298	113,973

Ms. Heather Shawa-DeCook presented a PowerPoint presentation and reviewed the FY 17 Capital Budget and Next Steps as follows:

FY 2017 Capital Budget Summary

Dollars in (000's)

UTILITY		LOCATION	
ELECTRIC	\$ 34,519	ECKERT	\$ 3,280
WATER	\$ 9,847	ERICKSON	\$ 1,941
STEAM	\$ 2,901	REG PLANT	\$ 144
CHILLED WATER	\$ 180	T&D	\$ 36,462
COMMON	\$ 13,371	DYE/CEDAR	\$ 3,039
TOTAL BUDGET	\$ 60,818	CHILLER PLANT	\$ 42
		OTHER	\$ 15,910
			\$ 60,818

FY 2017 Capital Budget – Major Projects/Programs

Project Title	Project Total	FY 2017
Planned Projects		
* Erickson to Willow 33kV Line Extension	22,251,000	8,869,000
ESRI Implementation	5,763,144	3,715,730
New Mainframe	3,096,500	3,086,500
Gridcell Interconnect	3,330,000	2,788,000
Moore's Park Dam Gate Hoist and Phase 2 Dam Repair	4,943,000	2,650,200
Smart Grid Implementation	30,950,000	2,500,000
* Burtum 4100V Sub Outfit and Retirement	2,226,000	2,226,000
* Central Substation	38,800,000	2,000,000
Lead Service Replacement	44,626,765	2,000,000
ADMS	2,720,000	1,499,062
Water Distribution Replacement - N Grand River	2,380,000	1,524,000
* Forbes 4100V Substation Retirement	4,327,000	1,208,000
Cedar Pump #1	1,083,700	1,083,700
Annual Projects**		
Services and Line Extensions	16,873,894	2,500,000
ESI Annual Rebuild T&D System	19,124,880	2,395,000
Street, Building, and Outdoor Protective Lighting	16,793,250	2,236,000
Annual Manhole Replacement	7,226,149	1,222,099
FY 17 Total Spending (Major Projects)		36,556,190

* These projects support the retirement of Eckert
 ** Annual projects have some level of spending each year.
 The project total represents 6 year spending.

The Next Steps for the proposed Budget is:

- Request the Board to approve the FY 2017 Operating & Capital Budgets at the May 24th Regular Board meeting, in line with the Charter Rule of budget adoption by June 1st.
- File FY 2017 Operating Budget & Capital Budget with the City Clerk's office within in 10 days after approval.

Chief Financial Officer Heather Shawa-DeCook stated that she wanted the Commissioners to be aware of 3 reportable (projects) that are forthcoming. The projects are not scheduled to be completed until later part of this calendar year, however, at the time when the budget was reviewed it was noted that these projects were projected to be 15% over its previously approved budget, and will likely require reporting to the Commissioners.

PROPOSED RESOLUTION

Fiscal Year 2017 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2017 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2017 Capital Budget is hereby approved as presented; and

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

Staff Comments: In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5, staff recommends an operating and maintenance budget of \$278.3 million and a capital budget of \$60.8 million for Fiscal Year 2017. The capital budget is to provide for on-going services to our utility customers and to sustain our plant facilities for future operations. Staff recommends that the Finance Committee approve these budgets and resolution for presentation and adoption by the Board at its May 24, 2016 Board meeting.

Motion by Commissioner Louney, Seconded by Commissioner Price to forward the proposed FY 17 Operating and Capital Budget Resolution to the full Board for consideration.

Action: Motion Carried

Other

Commissioner Nelson raised an issue concerning reporting requirements of PA95—whether Board action was required or whether a simple notice from the BWL would satisfy state law. At the request of Finance Chair Ross, General Manager Peffley assured that the proper filing for this Public Act would take place by July 1st.

Excused Absence

None.

Adjourn

Meeting adjourned by Finance Chair Ross at 8:02 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER’S RECOMMENDATIONS

No Recommendations from General Manager Peffley.

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTIONS

RESOLUTION 2016-05-01

Fiscal Year 2017 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2017 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2017 Capital Budget is hereby approved as presented; and

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

Motion by Commissioner Ross, Seconded by Commissioner Thomas to approve the Resolution approving Fiscal Year 2017 Operating and Capital Budget.

Action: Motion Carried

MANAGER’S REMARKS

General Manager Peffley stated:

- That he was named as a member of the Board of Directors of Michigan Municipal Electric Association

(MMEA) that represents 40 municipal utilities in the state of Michigan.

- The 8th annual Adopt-a-River campaign held on May 14, 2016 was very successful again this year with high participation.

COMMISSIONERS' REMARKS

Commissioner Ross addressed General Manager Peffley and his staff regarding the public comments made at the May 10, 2016 Committee of the Whole Meeting and earlier in the present Board Meeting. Specifically, Commissioner Ross inquired as to the BWL's energy efficiency rebate program and addressed the transparency allegations brought forth by the Sierra Club.

Commissioner Price presented Commissioner Froh with a Certificate of Appreciation for his service to the Board of Water of Light, as his term comes to an end June 30, 2016.

MOTION OF EXCUSED ABSENCE

Motion by Commissioner Ross, Seconded by Commissioner Thomas, to excuse Commissioner McCloud from tonight's meeting.

Action: Motion Carried

PUBLIC COMMENTS

Joe Dudak, Vice President of Business Development at GridLiance, congratulated the BWL and its staff on its Integrated Resource Plan (IRP) and stated that he feels the process was open, timely and balanced. He also spoke about his company being interested in assisting the BWL with the electric power transmission portion of the IRP.

Brad Van Guilder, National Sierra Club, expressed concerns about the public comments portion of the Committee of the Whole meeting minutes of May 10, 2016. In addition he suggested that the Board of Water and Light provide the Sierra Club with its modeling data that was used in the IRP process, to allow what he feels would be more of an equal discussion.

ADJOURNMENT

On motion by Commissioner Thomas, Seconded by Commissioner Mullen the meeting adjourned at 6:05 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: June 2, 2016

Official Minutes filed (electronically) with Lansing City Clerk: _____

Message It is more than frustrating to see the Lansing Board of Water and Light waste resources on secondary sources of energy generation when a primary source that is pollution-free and costs to install at about the same costs per kilowatt as a gas generating plant. After doing a general investigation, a geothermal plant is feasible in Mid-Michigan. A well bored to about 20,000 feet and using a closed loop system for transferring heat for the needed energy to create needed electrical power has been mentioned to the power company for more than ten years and not even an acknowledgment that it has been investigated. It was first brought to the power company when the first natural gas powered plant was announced as being considered. I have always mentioned, that if I were the head of LBWL, day one, the gas generating plants would either be sold or scrapped. It is excellent for standby power for home and business, not acceptable for a power plant to use, except in a black start scenerio. In a geothermal system a closed loop a high heat transfer solution such as one of the freons or possibly a sodium solution could be used to create sufficient heat to operate a generating system. Possibly, five closed loops could lowered with the assumption that one is always down for scheduled maintenance. The excess heat could be sold to industry and also be used to create a vertical farming facility growing produce out of season and crops that would never survive in Michigan such as, pineapples, coffee, and many types of fruits. This could be either created as a co-op or as a private industry project. In theory, it may be possible that all electrical generation could become a secondary source of income, granted a critical component; to the well-being of the power company. I urge you to at least investigate and see that although 20,000 foot wells are not common, they are possible and the energy received will make all other sources, including coal, a poor substitute for geothermal electric production in Michigan. Sincerely, Scott Boehme East Lansing, Michigan

E-mail Subject Geothermal
Email superuserlaptop@gmail.com
Address
Name
To

Data from form "E-mail BWL Commissioners" was received on 6/12/2016 9:21:58 AM.

This message was received from the external Commissioner web page (the sender was anonymous).

Field	Value
To	All Commissioners
Name	Kyle Shumaker
Address	3721 W Michigan Ave
email	kps@shumakergroup.com
E-mail Subject	kps@shumakergroup.com
Message	<p>I would like some addition answers from the Board of Commissioners regarding Friday's Power Outage. My business was without power for close to two hours on Friday. As frustrating as that is, I understand that will happen from time to time. What is completely unacceptable is that for most of this time period, it was impossible to even get in contact with anyone from BWL. Your phone system was down. The outage map showed no outages in my area, which isn't the least bit surprising considering that nobody could get through to report an issue. I also have evidence to suggest that your entire Website was down for at least part of this outage. Even the Lansing State Journal was forced to use Twitter to get any direct answers from BWL. And, even then, they had to demand information, BWL certainly wasn't volunteering it to customers. What makes this matter even worse, is that it's an EXACT repeat of the situation with the ice storm in 2013. Even then, people understood that was a historic storm and that power outages would result. What infuriated people was that there was no way to get in contact with the BWL. I was personally at many of the City Council meetings where then CEO Peter Lark promised that BWL would improve. Here we are a few years later, and absolutely nothing has improved. People STILL can't get in contact with you in the event of an emergency outage. Clearly, our money was poorly spent on Lark's buyout rather than fixing the issues. The power grid will go down from time to time and people understand that. The fact that you still haven't implemented safeguards so that people can contact BLW when that happens can only be explained as incompetence. There have already been two strikes against BWL in this regard. Let's eliminate the incompetence before there's a third. Who from this Board is willing to take time to meet with me this week in person to discuss this? It will truly be interesting to see if and how quickly someone responds to this letter. Sincerely Kyle Shumaker, President The Shumaker Technology Group</p>

Email "kps@shumakergroup.com" originally sent to mdg@lbwl.com from noreplylbwl@lbwl.com on 6/12/2016 9:21:58 AM.



Board of Commissioners
Lansing Board of Water and Light
1232 Haco Drive
Lansing, MI 48912

VIA EMAIL

July 8, 2016

RE: Access to BWL Integrated Resource Planning Information

Dear Board of Commissioners:

We write to you to express our concern regarding the transparency and adequacy of the LBWL staff's integrated resource planning ("IRP") process for Lansing's energy future. It is simply critical that the Board base its decision regarding this future on an IRP that properly considers a full range of energy resource options while giving due weight to the environmental and health cost risks of continued overreliance on coal and natural gas. The resource portfolio to which this Board commits our City could not only cost billions in ratepayer dollars, but will also operate throughout the time in which we must act in order to halt global warming.

We continue to have significant reason to think that LBWL's IRP is based on fundamentally flawed assumptions and processes that have skewed the results towards overreliance on the construction of new natural gas plants, rather than a diverse mix of clean energy and energy efficiency with minimal continued reliance on fossil fuels. Sierra Club hired independent experts with decades of utility planning experience to review BWL's planning process. As detailed in a report by those experts released May 24 of this year, a preliminary review of the limited information made publicly available by BWL during the IRP process showed that BWL made some critical mistakes, including:

- Failing to include the costs and risks associated with keeping Erickson online through 2030, including environmental regulations that could require large capital investments not considered in the modeling process or operational limits that could be required by the Clean Power Plan;
- Unreasonably limiting the level of demand response and energy efficiency in the modeling;
- Excluding customer-owned solar and demand response from the modeling, leading BWL to predict the need for 80-200 megawatts of excess capacity;
- Failing to maximize energy efficiency and clean energy in the modeling.

Since January 2016, Sierra Club has made repeated requests to BWL staff to make the underlying modeling data available. Despite repeated assurances that all data would be publicly available, BWL continued to deny us access to that information. With no other recourse, Sierra Club submitted a FOIA request for the information on May 18th. We received BWL's response, attached hereto, on June 16th.



Unfortunately, our prompt review of the documents provided found that BWL's responses are incomplete. BWL stated that several of the modeling reports requested did not exist or could not be identified. See Requests 2(ii), 2(iii), 2(iv), and 2(vi). According to our technical expert, it is standard practice to produce and review these reports when conducting resource modeling. Failure to have generated such reports would mean that BWL's experts could not have "checked their math," and would call the entire IRP process and its results into question.

Nor is this the only gap in the data provided. BWL did not provide answers to requests 5(i) through 5(v). In response to question 3, they indicate that they conducted 31 modeling runs, but in response 2(v), they provided only 6 modeling reports (technically known as PROVIEW System Cost Reports).

Upon identifying these data gaps, Sierra Club reached out repeatedly to BWL staff to request a meeting with their technical experts in order to resolve any confusion about the information requested, and to verify whether certain reports in fact do not exist. We have yet to receive a response to that request.

Given the impending Board vote on Lansing's energy future, we implore you to require BWL to expediently provide the information requested, and to allow us the opportunity to process that information once received and present our findings to the Board before any vote is taken.

Our expert's review of the data provided has already identified errors in the modeling that could have skewed the modeling outcomes. We strongly believe it is essential to not rush this decision but instead to take the time necessary to make sure the IRP process is well-informed and is done correctly. Failure to do so could commit the utility to the wrong energy path for decades to come. The citizens of Lansing deserve to have their energy future determined in an open, transparent, and well-vetted process that complies with best resource planning practices.

We thank the Board for its continued dedication to ensuring Lansing's bright energy future.

Regards,

Brad van Guilder

CC:

Dick Peffley

HUMAN RESOURCES COMMITTEE
Meeting Minutes
May 31, 2016

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, May 31, 2016.

Human Resources (HR) Committee Chairperson Tony Mullen called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tony Mullen, Sandra Zerkle, and Anthony McCloud. Also present: Commissioners Dennis M. Louney, David Price and Ken Ross (arrived 5:40p.m.); and Non-Voting Commissioners Bill Long (Delta Township) and Robert Nelson (E. Lansing).

Absent: Commissioner Mark Alley

Public Comments

None

Approval of Minutes

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to approve the Human Resources Committee meeting minutes of March 15, 2016.

Action: Motion Carried.

FY 2017 Board Appointee Performance Reviews

Corporate Secretary

Corporate Secretary M. Denise Griffin requested a closed session for the purpose of receiving her contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner Zerkle, seconded by Commissioner McCloud, to enter into closed session to discuss the contractual year-end performance evaluation of Corporate Secretary M. Denise Griffin.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 5:33 p.m.

The Human Resources Committee reconvened to open session at 6:01 p.m.

Internal Auditor

Internal Auditor, Phil Perkins, requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to enter into closed session to discuss the contractual year-end performance evaluation of Internal Auditor, Phil Perkins.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 6:02 p.m.

The Human Resources Committee reconvened to open session at 6:24 p.m.

General Manager

General Manager Richard Peffley requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to enter into closed session to discuss the contractual year-end performance evaluation of General Manager, Richard Peffley.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 6:25 p.m.

The Human Resources Committee reconvened to open session at 6:45 p.m.

Upon conclusion of the Closed Sessions, the following motions were offered:

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to forward a resolution reappointing M. Denise Griffin to the Charter position of Corporate Secretary for FY17 to the full Board for the consideration.

Action: Motion Carried.

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to forward a resolution reappointing Phil Perkins to the Charter position of Internal Auditor for FY17 to the full Board for consideration.

Action: Motion Carried.

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to forward a resolution reappointing Richard (Dick) Peffley to the Charter position of General Manager for FY17 to the full Board for consideration.

Action: Motion Carried.

HR Chair Mullen stated that the reappointment resolutions will be taken under consideration at the July regular Board meeting.

Subsequent Steps for Board Appointed Employees Contracts

Motion by Commissioner Zerkle, seconded by Commissioner McCloud, to charge the HR Chair and the Board Chair with the task of working with the appointed employees, on behalf of the Board of Commissioners, on their respective annual merit considerations.

Action: Motion Carried.

Excused Absence

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to excuse Commissioner Alley from tonight's meeting.

Action: Motion Carried.

Other

Human Resources Chair Mullen reminded everyone that June 7th is the cutoff date for submitting the 2016-2017 Officer and Committee Survey forms to the Corporate Secretary.

Public Comments

None

Adjourn

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to adjourn the meeting.

Action: Motion Carried

Meeting adjourned at 6:48 p.m.

Respectfully Submitted,
Tony Mullen, Chair
Human Resources Committee

HUMAN RESOURCES COMMITTEE
Meeting Minutes
June 21, 2016

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, June 21, 2016.

Human Resources (HR) Committee Chairperson Tony Mullen called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tony Mullen, Anthony McCloud and Sandra Zerkle. Also present: Commissioners Ken Ross (arrived 5:33p.m.) and Tracy Thomas; and Non-Voting Commissioner Bill Long (Delta Township)

Absent: Commissioner Mark Alley

Public Comments

None

Approval of Minutes

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to approve the Human Resources Committee meeting minutes of May 31, 2016.

Action: Motion Carried.

Discussion re: Salary/Benefit Adjustments for BWL's Charter Appointed Employees

HR Chair Mullen and Board Chair Price by motion were charged with the task of working with the Board's appointed employees, on behalf of the Board of Commissioners, on their respective annual merit considerations.

HR Chair Mullen informed the Committee that he has had the opportunity to have a discussion with the appointed employees regarding adjustments to their contract. He stated that the Corporate Secretary's contract has now been modeled to be in line with the General Manager's contract which reflects the new charter amendment. (Chapter 4 Section 6-401)

Corporate Secretary

Corporate Secretary M. Denise Griffin requested to go into closed session for the purpose of discussing proposed contract adjustments as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner Zerkle, seconded by Commissioner McCloud, to enter closed session to allow discussion regarding contract adjustments for the Corporate Secretary M. Denise Griffin.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 5:34 p.m.

The Human Resources Committee reconvened to open session at 5:44 p.m.

The closed section meeting was not authorized by MCL 15.268(a) and as a result the discussed information must be open:

The Corporate Secretary's wages were noted as \$94,200.

The Severance Package is being removed from the Corporate's contract as required by the Charter Amendments.

Internal Auditor

Internal Auditor Phil Perkins requested to go into closed session for the purpose of discussing proposed contract adjustments as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner Zerkle, seconded by Commissioner McCloud, to enter closed session to allow discussion regarding contract adjustments for Internal Auditor Phil Perkins.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 5:45 p.m.

The Human Resources Committee reconvened to open session at 5:53 p.m.

The closed section meeting was not authorized by MCL 15.268(a) and as a result the discussed information must be open:

The Internal Auditor's wages were noted as \$135,821.

General Manager

HR Chair Mullen stated that General Manager Peffley was not in attendance at tonight's meeting, that his contract would be distributed to the Commissioners and, if necessary, there could be a brief meeting at a later date.

Excused Absence

Motion by Commissioner Zerkle, Seconded by Commissioner McCloud, to excuse Commissioner Alley from tonight's meeting.

Action: Motion Carried.

Other

None

Public Comments

None

Adjourn

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to adjourn the meeting.

Action: Motion Carried

Meeting adjourned at 5:58 p.m.

Respectfully Submitted,
Tony Mullen, Chair
Human Resources Committee

NOMINATING COMMITTEE MINUTES

June 21, 2016

The Nominating 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 6:00 p.m. on Thursday, June 21, 2016.

Committee Chair, Anthony McCloud called the meeting to order and asked the Corporate Secretary to call the roll. The following committee members were present: Commissioners Anthony McCloud, Tony Mullen, Ken Ross and Tracy Thomas. Also present was Commissioner Dennis M. Louney.

Absent: None

Approval of Minutes

Motion by Commissioner Mullen, seconded by Commissioner Thomas to approve the Nominating Committee meeting minutes of June 23, 2015.

Action: Motion Carried

Public Comment

There were no public comments.

Officer & Committee Survey Results & Officer & Committee Survey Memorandum

Nominating Anthony McCloud stated that the Officer Committee Survey Results Forms and Committee Survey Memorandum were included in your meeting packet for review and asked if there were any questions regarding the documents. There were no questions.

Nominate Board Officer Candidates for Fiscal Year 2016-2017

Chairperson

Nominating Committee Chair McCloud opened the floor for Chairperson Nominations and the following motion was offered:

Motion by Commissioner Ross, Seconded by Commissioner Mullen to nominate Commissioner David Price to serve at the Chairperson for the 2016-2017 fiscal year.

Action: Carried Unanimously

Commissioner Thomas stated for the Record that he has been very impressed with Commissioner Price's leadership and that's why he voted yes for him to serve as the Chairperson, and believes that having him serve a third year is really healthy for the commission.

Vice Chairperson

Nominating Committee Chair McCloud opened the floor for Vice Chairperson Nominations and the following motion was offered:

Motion by Commissioner McCloud to nominate Commissioner Sandra Zerkle to serve in the officer position of Vice Chairperson.

Motion Died with no Second

Motion by Commissioner Mullen, Seconded by Commissioner Anthony McCloud to nominate Commissioner Mark Alley to serve in the officer position of Vice Chairperson.

Action: Motion Carried (3/1 Ross dissenting)

Motion by Commissioner Mullen, Seconded by Commissioner Thomas to present the slate of officers for 2016-2017 to the full Board for consideration is as follows:

Chair:	David Price
Vice Chair:	Mark Alley

Nominating Chair McCloud stated that nominations will be taken from the floor at the July 26th Regular Board meeting.

Excused Absence

None

There being no further business, the meeting adjourned at 6:09 p.m.

Respectfully submitted,
Anthony McCloud, Chair
Nominating Committee

FINANCE COMMITTEE

July 12, 2016

The Finance Committee of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, July 12, 2016.

Finance Committee Chairperson Ken Ross called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Ken Ross, Dennis M. Louney, David Price and Tracy Thomas. Also, present Commissioners Tony Mullen, Sandra Zerkle and Non-Voting Members Stuart Goodrich (Delhi Township), Bill Long (Delta Township), Bob Nelson (E. Lansing).

Absent: None.

The Corporate Secretary declared a quorum.

Approval of Minutes

Motion by Commissioner Thomas, Seconded by Commissioner Price, to approve the Finance Committee meeting minutes of May 10, 2016.

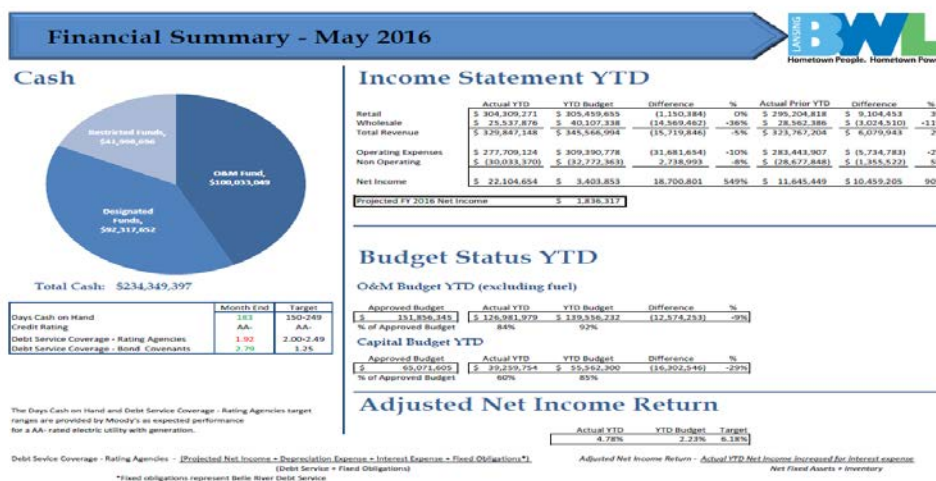
Action: Motion Carried.

Public Comment

None.

YTD Financial Overview

Chief Financial Officer Heather Shawa-DeCook presented the May 2016 Financial Summary below:



Ratios

Operating Ratio

Operating Expense	\$ 240,204,303	=	0.73	APPA Median	0.71
Revenue	\$ 329,847,148				

Measures the proportion of revenues to cover the operations and maintenance costs

Current Ratio

Current Assets	\$ 227,152,661	=	3.79	APPA Median	2.07
Current Liabilities	\$ 59,961,840				

Measures whether current assets are sufficient to pay current liabilities within one year

Debt to Total Assets

LT Debt + Accrued Liabilities	\$ 425,044,905	=	0.41	APPA Median	0.61
Total Assets	\$ 1,038,294,473				

Measures the ability to meet its current and long-term liabilities based on the availability of assets

Days' Sales Outstanding

Accounts Receivable	\$ 29,506,092	=	1.08	Prior Year	20
Average Sales	\$ 27,229,240				

X 31 = 34 Days

Bad Debt

Actual YTD	\$1,700,633	YTD Budget	\$1,710,000	Over/(Under)	-\$9,367	% of Revenue	0.28%	APPA Median	0.28%
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Employee Data

Employee Count YTD	722
Budget YTD	754
Over (Under) #	(32)
Over (Under) %	-4.2%
Prior YTD	724
Difference	-2
Temporary Employee YTD	19

Payroll Data

	Actual YTD	YTD Budget	Difference	%	Actual Prior YTD	Difference	%
Regular	\$ 50,422,171	\$51,013,648	\$ (591,477)	-1.2%	\$ 48,959,532	\$ 1,462,639	3.0%
Overtime	\$ 6,965,922	\$ 5,469,556	\$ 1,496,366	27.4%	\$ 7,522,182	\$ (556,260)	-7.4%
Total	\$ 57,388,093	\$56,483,204	\$ 904,889	1.6%	\$ 56,481,704	\$ 906,389	1.6%
Total Hours Worked	1,277,814				1,259,142		
Labor/Hours Worked	\$ 44.91				\$ 44.86		
APPA Median	\$ 44.13						

APPA Median data is based on 2014 numbers and does not reflect subsequent labor inflation.

Benefits Cost (including Retirees)

	Actual YTD	YTD Budget	Difference
Health	\$ 11,384,803	\$ 12,730,793	\$ (1,345,990)
RX	\$ 3,091,174	\$ 2,959,634	\$ 131,540
Dental	\$ 963,994	\$ 1,230,662	\$ (266,668)
Life	\$ 366,498	\$ 292,674	\$ 73,824
FICA	\$ 4,289,821	\$ 4,233,732	\$ 56,089
Other	\$ 2,578,888	\$ 3,140,575	\$ (561,687)
Total	\$ 22,575,178	\$ 24,608,070	\$ (2,032,892)

Six Year Forecast Overview/Resolution

Chair Ross suggested reviewing the PowerPoint presentation page by page to address any questions.

Chief Financial Officer Heather Shawa-DeCook presented the FY 2017-2022 Financial Plan as follows:

FY 2017-2022 Financial Plan

- Six-Year Operating Forecast
 - Financial Goals
 - Financial Assumptions
 - Rate of Return
- Six-Year Capital Forecast
- Already Completed and Next Steps

Financial Goals

- Maintain credit quality
 - BWL is currently a AA- Rated Utility
- Ensure adequate liquidity
 - Ability to meet near term obligations when due
 - Target Days Cash on Hand Range 150-249*
 - Target Debt Service Coverage 2.00-2.49*
- Maintain rate competitiveness
- 4.81% Rate of Return

Chief Financial Officer Heather Shawa-DeCook noted to the Committee the Board of Water and Light’s AA- credit rating and the benefits maintaining that status. She stated that there is a cost to having higher top quality ratings; therefore all considerations should be understood.

In addition, there was discussion regarding future plans to ensure that the BWL is competitive with regard to rates of other utilities. General Manager Peffley provided a few of his ideas regarding this matter which include having at least a 10% residential rate differential between the BWL and the nearest competitor.

Rate of Return

- In August 2008, the Board approved a target rate of return of 6.18%
- The rate of return was determined using a methodology provided by Utility Financial Solutions and used by municipal utilities where the Board also indicated that the approach should allow for flexibility to adjust the calculated return upward for large construction projects and other unusual circumstances.
- Under this methodology, a rate of return is calculated that blends the utilities borrowing rate with double the inflation rate
- This return allows the utility to pay for interest costs and also provides for the replacement of aging infrastructure as it is removed from service
- The target return in dollars is calculated by multiplying the rate of return by the utility's rate base which includes net fixed assets and inventory
- The rate of return achieved is calculated with the following formula:
 - $(\text{Net Income} - \text{Interest Income} + \text{Interest Expense}) / (\text{Net Fixed Assets} + \text{Inventory})$
- The rate of return has been recalculated using current inflation, debt rate, and rate base information. With the updated information, the needed return is calculated at 4.81%.
- The forecast presented is based on the updated return calculation of 4.81%.

Financial Assumptions

- Projected sales levels
 - Electric – Slight increase in retail sales and decline in wholesale sales reflecting lower wholesale market prices and the 2020 removal of generation provided by Eckert.
 - Water – Retail sales held constant for forecast period. Slight increase in wholesale.
 - Steam – Held constant.
 - Chilled Water – Held constant.
- Operating expenses are forecast to increase from FY 2017 through FY 2022 at an annual 2.4% inflationary rate.*
- Any potential impact related to Eckert replacement generation has not been included in this forecast.
- Upcoming labor contract negotiations has not been included.

Chief Financial Officer Heather Shawa-DeCook stated that based on forecasted recommendations at the end of the six year period the BWL will achieve the target 4.81 % Rate of Return.

FY 2017 - FY 2022 Six Year Forecast						
In \$000's	2017	2018	2019	2020	2021	2022
Rate Increase:						
Electric	0.0%	2.4%	2.4%	2.4%	2.4%	2.4%
Water	0.0%	5.5%	5.5%	5.5%	5.5%	5.5%
Steam	0.0%	5.4%	5.4%	5.4%	5.4%	5.4%
Chilled Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (Loss):						
Electric	\$ 8,015	\$ 11,168	\$ 10,811	\$ 14,192	\$ 13,792	\$ 14,721
Water	\$ 2,288	\$ 4,868	\$ 5,933	\$ 6,997	\$ 8,356	\$ 9,666
Steam	\$ (960)	\$ 197	\$ 465	\$ 736	\$ 1,094	\$ 1,282
Chilled Water	\$ 770	\$ 1,199	\$ 1,244	\$ 1,229	\$ 1,340	\$ 1,386
Total Net Income	\$ 10,113	\$ 17,431	\$ 18,453	\$ 23,154	\$ 24,582	\$ 27,055
Return on Rate Base						
Electric	3.9%	4.2%	4.0%	4.5%	4.5%	4.8%
Water	1.8%	2.9%	3.2%	3.6%	4.2%	4.8%
Steam	1.5%	3.5%	3.8%	4.0%	4.5%	4.8%
Chilled Water	4.9%	6.5%	6.8%	6.8%	7.3%	7.6%
Total	3.1%	3.8%	3.8%	4.3%	4.5%	4.9%
Unrestricted Cash Balance	\$ 137,301	\$ 102,237	\$ 88,018	\$ 91,828	\$ 108,907	\$ 117,473
Days Cash on Hand	167	123	111	116	136	138
Debt Service Coverage	1.94	2.16	2.51	2.63	2.58	2.70



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Finance Chair Ross emphasized that the progression for the Rate on Return Base, for any year between 2017 and 2022 would not actually be achieved, but if the BWL pursued the outlined strategy as indicated in the PowerPoint graph (see above) and if the assumptions are correct, by the end of that 6 year period, the target rate of 4.81 would be met.

Annual Net Income by Utility



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In response to a question regarding the net income of steam, General Manager Peffley stated that there is an ongoing expense with steam and the BWL has a plan to replace all steam infrastructures. Revenue in that area continues to decline, mainly as a result of a large steam utility customer creating a technology to produce its own steam. However, the Board of Water and Light expects to return to the positive with projected rate increases to hit and support the long-term Rate of Return.

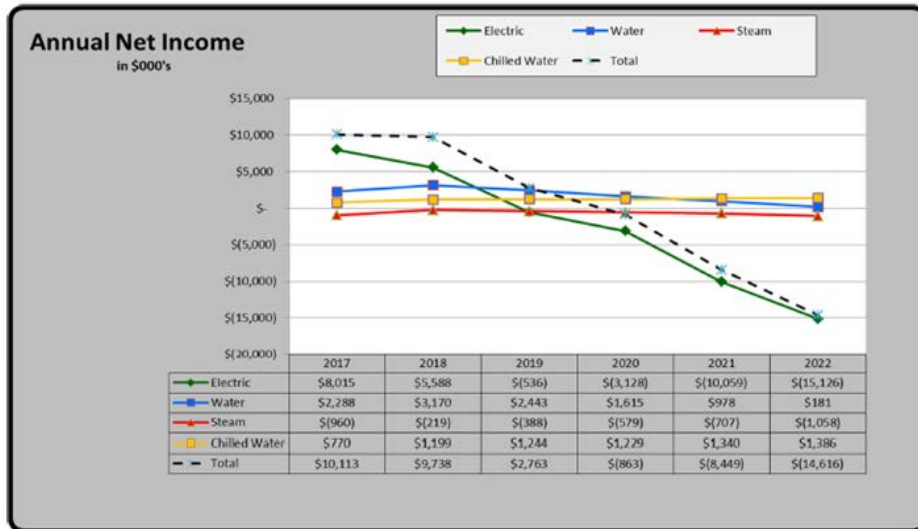
Without Forecast Rate Increases

FY 2017 - FY 2022 Six Year Forecast						
In \$000's	2017	2018	2019	2020	2021	2022
Rate Increase:						
Electric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Steam	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chilled Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (Loss):						
Electric	\$ 8,015	\$ 5,588	\$(536)	\$(3,128)	\$(10,059)	\$(15,126)
Water	\$ 2,288	\$ 3,170	\$ 2,443	\$ 1,615	\$ 978	\$ 181
Steam	\$(960)	\$(219)	\$(388)	\$(579)	\$(707)	\$(1,058)
Chilled Water	\$ 770	\$ 1,199	\$ 1,244	\$ 1,229	\$ 1,340	\$ 1,386
Total Net Income	\$ 10,113	\$ 9,738	\$ 2,763	\$(863)	\$(8,449)	\$(14,616)
Return on Rate Base						
Electric	3.9%	3.0%	1.7%	1.0%	-0.3%	-1.1%
Water	1.8%	2.1%	1.7%	1.3%	1.0%	0.6%
Steam	1.5%	2.8%	2.4%	1.9%	1.7%	1.1%
Chilled Water	4.9%	6.5%	5.8%	6.8%	7.3%	7.6%
Total	3.1%	2.9%	1.9%	1.3%	0.4%	-0.2%
Unrestricted Cash Balance	\$ 137,301	\$ 94,544	\$ 64,635	\$ 44,448	\$ 28,497	\$(4,608)
Days Cash on Hand	167	114	82	57	36	-5
Debt Service Coverage	1.94	1.98	2.08	1.99	1.72	1.61



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Annual Net Income by Utility Without Forecast Rate Increases



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General Manager Peffley stated previously steam and water were heavily subsidized by electric, but the company has worked hard the past years toward having each utility stand on its own.

Capital Forecast FY 2017-FY2022 Six Year

CAPITAL PROJECTS SUMMARY SIX YEAR FORECAST FY 2017 - FY 2022 BOARD OF WATER & LIGHT

Dollars in ('000's)

UTILITY							Six-Year
	2017	2018	2019	2020	2021	2022	Total
ELECTRIC	36,807	69,869	49,103	37,353	29,042	41,283	263,457
WATER	9,843	11,139	11,040	7,824	5,739	5,922	51,506
STEAM	2,901	3,132	5,592	6,039	3,002	3,011	23,678
CHILLED WATER	180	494	158	162	166	166	1,324
COMMON	11,087	3,886	4,848	3,985	4,077	3,953	31,837
TOTAL BUDGET	60,818	88,521	70,741	55,363	42,025	54,335	371,802

LOCATION							Six-Year
	2017	2018	2019	2020	2021	2022	Total
ECKERT	3,280	187	208	110	113	113	4,011
ERICKSON	1,941	3,543	19,917	13,008	155	-	38,562
REO PLANT	144	35	2,500	3,025	-	-	5,704
T&D	41,643	75,762	40,102	33,857	36,985	49,854	278,202
DYE/CEDAR	3,039	4,805	2,917	1,128	445	165	12,499
CHILLER PLANT	42	340	-	-	-	-	382
OTHER	10,729	3,849	5,098	4,235	4,327	4,203	32,443
TOTAL BUDGET	60,818	88,521	70,741	55,363	42,025	54,335	371,802



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Finance Chair Ross questioned if there were items in the Capital Budget listed for next year that the Committee should be made aware of, given the media attention of the Central Substation. In response, General Manager Peffley stated there may be some tree trimming concerns and Ms. Shawa-DeCook added the installation of AMI smart meters may be an area of attention as well.

Ms. Shawa-DeCook provided information on the progress of the AMI smart meter implementations.

Already Completed and Next Steps

- **FY 2017 Operating & Capital Budgets**
 - Approved at May 24th Board meeting
 - Filed with the City Clerk within 10 days (June 3rd) after adoption in compliance with City Charter
- **Accept as presented the Capital Forecast for FY 2017-2021 and submit to the Mayor prior to October 1**
 - City Charter calls for submission of the six year capital improvements plan to the Mayor prior to October 1



Motion by Commissioner Price, Seconded by Commissioner Thomas to forward he proposed Resolution for the acceptance of the 2017-2022 Forecast to the full Board for consideration.

Action: Motion Carried.

Proposed Return on Assets Resolution

Chief Financial Officer Heather Shawa-DeCook spoke about the rate of return target suggesting that it is both realistic and achievable. She also stated that it is important to work toward achieving it to maintain infrastructure over a period of time. She said the forecast is such that if the key assumptions materialize, we should be able to achieve the target rate of return. The lengthy dialogue continued regarding the Return on Assets. Ms. Shawa-DeCook stated that she felt it is up to management to be fiscally responsible (from on the O&M side). Also, management should be responsible when laying out the budget, the cost control and making sure we are effective and efficient while maintaining our reliability and competitiveness. We want to make sure our efforts to reach our target rate of return include prudently managing our cost structure and not just focusing on rate increases to hit that return. It is important to have the right target number because there are impacts if the number is too low or too high.

Commissioner Nelson spoke about discussions from 2008 that involved the previous Chief Financial Officer regarding the Wisconsin Method vs. UFS and the coal inventory being an issue with its dwindling use as a fuel. Commissioner Nelson questioned if there was going to be a change in dynamics with the depleting coal inventory. In response to Commissioner Nelson's question Ms. Shawa-DeCook stated that she would get back to him with additional information.

In conclusion Chief Financial Officer Heather Shawa-DeCook stated that this matter would be brought before the Board for a yearly review.

Motion by Commissioner Price, Seconded by Commissioner Thomas to forward the proposed Resolution for the Return on Assets to the full Board for consideration.

Action: Motion Carried.


Finance Chair Ross welcomed and introduced new Board member, Stuart Goodrich. Mr. Goodrich stated that he is looking forward to serving on this Board.

Update on Management Responses to Internal Audits

Finance Chair Ross informed the new Commissioner that this report is a tracking tool designed to give us transparency and to ensure that everything Internal Auditor Phil Perkins identifies in his internal audits is actually followed up on and completed to the satisfaction of the Board of Commissioners and Internal Auditor.

Chief Financial Officer Heather Shawa-DeCook's update consisted of the following:

**STATUS OF MANAGEMENT RESPONSES TO INTERNAL AUDITS
AS OF 6/30/16**


In Accordance with Board Resolution #2014-07-05

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
Open Issues:					
12	Record Retention	Internal Audit found that records on hand did not always correspond with the Record Retention Schedule, namely, a portion of I-9 forms and some asbestos bills of lading.	March 2014	Human Resources	I-9 forms are on file for all active employees. An appropriate retention schedule for the asbestos bills of lading was determined and updated as part of the overall review of the Record Retention Schedule. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred on 4/14/16. Currently in process is a response to the State's second round of questioning.
13	Record Retention	The Internal Auditor determined that records on hand in departments did not always correspond with the Record Retention Schedule.	March 2014	Enterprise Content Management	Enterprise Content Management has reviewed the existing Record Retention Schedule with the appropriate departments and cataloged all proposed revisions. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred 4/14/16. Currently in process is a response to the State's second round of questioning.
17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	August 2014	General Accounting	A General Accounting Procedure Manual is being developed, with expected completion by 12/31/16.
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	Work on identifying data on any mobile devices in need of encryption was able to begin once the mobile device usage guidelines (referred to under now-closed issue #26) were established. Completion by 9/30/16 is anticipated.
29	Management of Mobile Devices	Internal Audit recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	Once any data accessed via mobile devices is determined to be in need of encryption (i.e., once issue #27 is addressed), it can be determined to what extent procuring and implementing software with remote cleaning capabilities would be cost-beneficial. It is anticipated that this issue will be addressed by 9/30/16.
30	Management of Mobile Devices	Internal Audit recommended disabling data ports on mobile devices.	Sept 2015	Information Technology	Any needed disabling of data ports will be complete by 9/30/16.
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	A successful stress test was performed April 13. Management is reviewing vendor capacity reports and modifying documented procedure to include requirements for a narrative of test results and formal business owner acceptance of test criteria and results. Completion targeted for 7/29/16.

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
34	Training & Development	Internal Audit supports plans for a new database for tracking training and use of standardized criteria for periodic training course review and training of trainers, on an organization-wide basis.	Dec 2015	Organizational Training & Development	A new "LMS" database has been implemented and training on it is in the process of being rolled out, at a slower pace than originally anticipated, with completion now expected by 9/2/16.
37	Hiring Process <i>NEW</i>	Internal Audit has requested that an all-encompassing hiring policy be documented.	May 2016	Human Resources	An additional Board policy, one which addresses BWL hiring standards in their entirety, will be drafted by 12/31/16.
38	Hiring Process <i>NEW</i>	Internal Audit recommended updating a hiring checklist, documenting rationale for selected hires, and storing job files in electronic form.	May 2016	Human Resources	Management will update the hiring checklist, document rationale for selected hires, and store job files electronically by 12/31/16.
39	IT Change Management <i>NEW</i>	Internal Audit recommended IT change management policy and procedures be documented.	May 2016	Information Technology	The IT change management process has been refined and a standard form and workflow developed. A Change Advisory Board is following ITIL guidelines. Further development of written guidelines will be complete by 9/1/16.
41	IT Change Management <i>NEW</i>	Internal Audit recommended specifically addressing emergency IT changes in the IT change management process.	May 2016	Information Technology	IT has defined an emergency change and documented a process flow. IT is also developing a training plan and written guidelines, expected to be complete 9/1/16.
42	Selected CRT-MPSC-BWL Recommendations <i>NEW</i>	The Internal Auditor recommended annual updates to the Emergency Operations Plan.	May 2016	Emergency Management	Annual updates to the Emergency Operations Plan will be performed, effective immediately.
43	Selected CRT-MPSC-BWL Recommendations <i>NEW</i>	The Internal Auditor recommended formally tracking the corrective actions resulting from restoration exercises as such.	May 2016	Emergency Management	Corrective actions will be formally tracked, effective immediately.

Closed Issues (since April 2016 report):

40	IT Change Management <i>NEW</i>	Internal Audit recommended a separate database or listing of IT changes.	May 2016	Information Technology	Additional information identified as being needed is now being captured in the existing IT ticketing system used to track changes.
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As of 6/30: There are 14 Open issues (6 of which are new) and 1 closed issue.

Internal Auditor FY17 Audit Plan

Internal Auditor Phil Perkins, presented an overview of the following information:

Internal Auditor Status Update

- FY 2016 Audit Plan Progress Report
- Proposed FY 2017 Audit Plan
- Other Items

FY 2016 Audit Plan Progress Report

Engagements Completed:

1. Training & Development Audit
2. Selected CRT/MPSC/BWL Recommendations Audit
3. Hiring Process Audit
4. IT Change Management Audit
5. NERC-CIP Cybersecurity Compliance Audit
6. Surprise Cash Counts (2)
7. Employee Time Reporting Reviews (2)
8. Vehicle Time Reporting Reviews (2)

Engagement in Progress: Billing Audit (anticipate completion in August 2016)

Proposed FY 2017 Audit Plan - Background

Basis for plan:

1. Meetings with Executives and Staff to discuss risks and potential audit topics.
2. Risk assessments for each of 100-plus auditable activities at BWL.
3. Consideration of rotational audits, audit areas with risk/scoping assessments, first-time audits, etc.
4. Identified over 20 potential audits to perform in FY 2017 and beyond.

Proposed FY2017 Audit Plan - Background

Top 12 audits for FY 2017 (as discussed with senior management):

1. ***Performance Evaluation/Compensation/Merit Increases.***
2. ***Collections***
3. ***Post-Cyber Incident Review***
4. ***IT - Help/Service Desk***
5. ***New Service Order Mgt – Water***
6. ***Payroll***
7. ***Hiring Process Follow-up***
8. ***Training Follow-up***

9. ***Planned Projects***
10. ***IT – ID & Access Mgt- New and Terminated Employees***
11. ***Metering Services***
12. ***IT Security Policy – Data Classification & Controls***

Proposed FY 2017 Audit Plan

Planned Audits:	Estimated Hours
Performance Evaluation/Compensation	300
Collections	400
Post-Cyber Incident Review	300
IT Help/Service Desk Management	400
New Service Order Management - Water	300
Payroll Management	400
Follow-up – Hiring Process	100
Follow-up – Training & Development	100
Other Engagements:	
Surprise Cash Counts (2)	50
Time Reporting Reviews (2)	100
Vehicle Time Reporting	50
Other Consulting as Needed	100
Total Estimated Hours	<u>2,600</u>

Proposed FY 2017 Audit Plan, Cont'd

Available Resources:

Resource	Position	Available Hours
Phil Perkins	Director of Internal Audit	1,500
C. L. Moore & Associates	Augmented IA Services	900
Internal or External IT Audit Assistance	IT Audit Services	200
Total Hours		<u>2,600</u>

Finance Chair Ross mentioned the recent security incident and questioned whom Mr. Perkins would draw upon if he or his External Auditors did not have the expertise in conducting in-depth reviews as it relates to cyber. Mr. Perkins stated that he has had some preliminary discussions with outside firms regarding this specialized resource as well as looking to enhance his own limited expertise by taking some additional training in the cyber security arena.

Motion by Commissioner Price, Seconded by Thomas, to forward the Internal Auditor's FY 17 Audit Plan to the full board for consideration.

Action: Motion Carried.

Internal Auditor Perkins stated that there were no changes to the Auditors Charter and asked that the Board approve the Internal Auditor's Charter as-is.

Motion by Commissioner Price, Seconded by Thomas, to forward the Internal Auditor's Charter as-is to the full board for consideration and approval.

Action: Motion Carried.

Background Discussion: Franchise Agreements

Finance Chair Ross cited a request from East Lansing for a franchise agreement and a share of revenue the BWL receives from East Lansing customers to introduce a background discussion on franchises and franchise fees. General Manager Peffley noted that a new request for a franchise fee would be directed to the Board, but a renewal of an existing franchise agreement would be negotiated by BWL staff and not brought to the Board.

Mark Matus, Director of Technical Services, provided background information on franchises and franchise fees and distributed a summary of franchise agreements along with franchise fees to the Board for its information. According to Mr. Matus, a franchise is required by the State Constitution and legislation to use the public places and conduct business in a local unit of government. He indicated that the Michigan Constitution limits franchises to 30 years duration. He indicated that a Foote Act franchise is an exception in that it is created by legislation and only applies to areas being served by a utility between 1905 and 1908. He also indicated that a Foote Act franchise could not be reversed by the act of legislation. According to Mr. Matus, water agreements are a little different. Although they are not entitled as franchises, they have the same provisions allowing for the use of public streets, alleys, etc.

In response to questions regarding the Foote Act, George Stojic, Executive Director of Strategic Planning indicated that the BWL could demonstrate service to East Lansing between 1905 and 1908 and was, therefore, entitled to a Foote Act franchise, but documentation from other areas was not available. He also indicated that Foote Act franchises do not expire.

General Manager Peffley indicated that the BWL needed clarification of East Lansing's request, and that it is seeking assistance from outside counsel to investigate the issue of a franchise with East Lansing.

Public Comment

Brad van Guilder, Sierra Club, read comments into the record stating his concerns regarding two items included in the 6 Year capital budget, the projection of installation of Dry Sorbent Injection pollution controls and the implementation of Smartgrid technology.

Other

General Manager Peffley thanked staff for how well they managed this weekend's storm, which was one of the largest summer storms in this area. 90% of customers were restored within 48 hours. He said they really worked hard on press releases and communication in general.

Several Commissioners expressed their appreciation for the communication during the recent storm.

Finance Chair Ross asked for an update on the homeless hotel shelter's high bill issue due to a lack of meter reading. In response General Manager Peffley acknowledged that there was an error with the homeless hotel not getting their meter read in a timely manner; however the BWL has reached out to make arrangements to work with them to resolve the issue and get them on track.

Adjourn

On Motion by Commissioner Price, Seconded by Commissioner Thomas, the meeting adjourned at 7:20 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

PROPOSED RESOLUTION
Fiscal Year 2018-2022 Capital Forecast

RESOLVED, that the forecast for capital expenditures for the Fiscal Years 2018-2022 is hereby accepted as presented.

Staff Comments: Capital expenditures for Fiscal year 2017-2022 are estimated to be \$372 million. The 2017 Capital budget was previously adopted by the Board of Commissioners. Staff recommends the remaining years of the forecast be accepted as presented.

Proposed Resolution
Appointment of the Charter Position of Corporate Secretary

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Corporate Secretary, with a base salary of \$94,200, for fiscal year 2016-2017 or until a successor is appointed, whichever last occurs:

M. Denise Griffin, Corporate Secretary

Proposed Resolution
Appointment of the Charter Position of Internal Auditor

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Internal Auditor, with a base salary of \$135,000, for fiscal year 2016-2017 or until a successor is appointed, whichever last occurs.

Philip Perkins, Internal Auditor

Proposed Resolution
Appointment of the Charter Position of Director and General Manager

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Director and General Manager, with a base salary of \$267,750, for fiscal year 2016-2017 or until a successor is appointed, whichever last occurs:

Richard R. Peffley, Director and General Manager

Resolution #

INTERNAL AUDITOR CHARTER APPROVAL

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Charter, appended to which conforms to the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors.

Resolution #

INTERNAL AUDIT PLAN FOR FY 2017

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Plan for FY 2017.

Return on Assets

Whereas, the Board of Commissioners adopted the use of a modified Utility Financial Solutions (UFS) approach as a standard to calculate the Overall Rate of Return target for the Lansing Board of Water and Light on August 12, 2008; and

Whereas, the Staff recommends the continuation of the use of the modified UFS approach where the overall rate of return is applied to net fixed assets plus materials and supplies; and

Whereas, the Staff recommends the overall rate of return should be reviewed each year as part of the budgeting process; and

Whereas, the Staff recommends that the modified UFS approach should include the flexibility to adjust the calculated return upward for large construction projects and other unusual circumstances as needed.

BE IT RESOLVED, that the Board of Commissioners adopt the modified UFS approach for determining an appropriate rate of return target for the Lansing Board of Water and Light, the return should be reviewed each year as part of the budgeting process, and should be flexible to allow for upward adjustments to accommodate large construction projects and other unusual circumstances as needed.

Staff Comments:

This resolution is to clarify that the intent of the Board is to establish a methodology for determining an appropriate target rate of return and to indicate that it is management's responsibility to apply this methodology, at least annually, to determine the applicable target rate of return.