



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

LANSING BOARD OF WATER AND LIGHT

November 17, 2015

The Board of Commissioners met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, November 17, 2015.

Chairperson David Price called the meeting to order at 5:49p.m.

Present: Commissioners Mark Alley, Dennis M. Louney (arrived at 6:11 p.m.), Anthony McCloud, Tony Mullen, David Price, Ken Ross, and Tracy Thomas. Non-Voting Commissioners Mike Froh (Meridian Township), Bob Nelson (East Lansing).

Absent: Commissioner Sandra Zerkle and Non-Voting Member Bill Long (Delta Township).

The Corporate Secretary declared a quorum present. Commissioner Alley led the Pledge of Allegiance.

SPECIAL CEREMONY CHECK PRESENTATION

Chairperson David Price introduced General Manager Peffley, who introduced a presentation of the check for the 7th Annual BWL Hometown Power Walk/Run event that was held on August 8th 2015. General Manager Peffley stated that this event was held on behalf of McLaren Greater Lansing Healthcare Foundation.

APPROVAL OF MINUTES

Motion by Commissioner Mullen, Seconded by Commissioner Thomas to approve the Regular Board Meeting minutes of September 22, 2015.

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.

Joe (Dudak), Vice President of GRIDLIANCE & Blackstone Company, spoke to the Board regarding a proposal that is on tonight's agenda. Mr. Dudak provided information about GRIDLIANCE & Blackstone Company, and about the services his company can offer the BWL with respect to transmission planning for the Integrated Resource Planning (IRP).

COMMUNICATIONS

- a. Solicitation Letter from Midcontinent MCN LLC, A GRIDLIANCE & Blackstone Company regarding Electric Power Transmission Projects

Referred to Management and Committee of the Whole

COMMITTEE REPORTS

FINANCE COMMITTEE

October 20, 2015

The Finance Committee of the Board of Water and Light met at the BWL Headquarters – REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 6:00 p.m. on Tuesday, October 20, 2015.

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, Tracy Thomas and David Price. Also, present Commissioners Tony Mullen, Sandy Zerkle and Non-Voting Members: Michael Froh (Meridian Township), Bill Long (Delta Township) and Bob Nelson (East Lansing).

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

None

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Thomas, to approve the Finance Committee meeting minutes of September 8, 2015.

Action: Motion Carried

August Financial Overview

Heather Shawa-DeCook, Chief Financial Officer (CFO) highlighted cash flow, year-to-date revenues and year-to-date net income, to wit: cash flow and operating cash continues to grow; the BWL is at 11% over its June-end cash position. August year-to-end revenues are slightly under budget, mostly due to reduction in wholesale revenue as a result of unplanned outages. Ms. Shawa-DeCook stated that this trend is expected to continue through October.

BWL's net income is exceeding budget due to employee benefit expenditure bills that are lagging one month behind; true numbers will be reflected in in September Q1 results.

Update on Transition of Pension Investment Consultants

Heather Shawa-DeCook, Chief Financial Officer (CFO) stated Bank of America Merrill Lynch has been BWL's investment advisor with respect to the investment of the Defined Benefit (DB) and VEBA funds. As a result of recent legislative changes in the financial industry, Bank of America Merrill Lynch has made a corporate decision to exit the municipal pension fund advisory business. BWL sent out a Request for Proposal (RFP), which returned 3 qualified bids; each firm was assessed by a BWL 6 person evaluation team and a recommendation was made and approved internally. BWL intends to introduce the new firm at the BWL's Pension Trustees meeting scheduled for November 10th 2015.

Financial Summary Overview

Heather Shawa-DeCook, Chief Financial Officer (CFO) introduced Scott Taylor, Manager of Finance, who provided a financial summary overview with specific focus on cash balance.

**FINANCIAL SUMMARY FOR
August-15**



Cash Balance

	Month End Balance	Target	Difference	%
O&M Fund	\$ 90,807,255	\$ 80,987,574	\$ 9,819,681	11%
Days Cash on Hand	172	150-249		
Credit Rating	AA-	AA-		
Debt Service Coverage - Rating Agencies	1.64	2.00-2.49		
Debt Service Coverage - Bond Covenants	2.23	1.25		
Total Cash	\$ 212,044,817 =	\$ 90,807,255	+ \$ 91,638,127	+ \$ 29,599,435
		O&M Fund	Designated Funds	Restricted Funds

In summary, Mr. Taylor stated that BWL’s monthly financial summary, and total operating cash balance is broken down into three main types of funds, to wit: operating funds for general use, designated funds for special purposes, and restricted funds for bond repayment.

BWL’s days cash on hand and debt service coverage measures are important to credit rating agencies. BWL’s targets are set based on expectations for a double “A” rated utility.

BWL has had its credit rating of AA- since 2003, which remains a good target.

Outage Management System (OMS) Internal Audit Results

Internal Auditor Phil Perkins presented the OMS internal audit findings. The Committee reviewed the Internal Auditor’s Audit Findings thoroughly page by page with an opportunity for questions and answers along the way.

AUDIT REPORT 2015-07

DESCRIPTION OF ACTIVITIES

An Outage Management System (OMS) is used by the Lansing Board of Water & Light (BWL) to receive power outage and system trouble information from various sources; provide customers, BWL employees and management with up-to-date outage restoration information; assign work crews to outage locations based on priority factors; and, provide outage statistics and status in a ready format for media and public consumption. The current OMS has been in use since February 2013, with plans to procure a replacement system in FY 2016.

Although the system owner and primary user of OMS is the Electric System Operations Department, other groups such as customer services representatives and line repair crews use OMS to enter outage information and count on OMS to report current information on outages and restoration times.

During the December 2013 ice storm power outage that affected over 40,000 BWL customers, the OMS failed to perform a critical function to isolate specific “line down” locations needing restoration and create a work order for the appropriate locations. Therefore, a decision was made to shut down OMS and use a manual backup system during the outage for this purpose. There were also problems with the call-in system that did not relate directly to OMS but, since OMS was taken off-line until later in the outage period, it was difficult for BWL customers to obtain accurate, current information about their outage status.

**AUDIT OBJECTIVES, SCOPE, METHODOLOGY
AND PRIOR AUDIT FOLLOW-UP**

Audit Objectives

The audit of the Outage Management System (OMS) had the following objectives to determine whether:

1. Any further action was required regarding practices used in pre-operational vendor selection and testing leading up to full system operation.
2. System capacity stress testing was sufficient, based on objective criteria, to demonstrate the system’s ability to perform successfully during a significant outage scenario such as the December 2013 ice storm outage.
3. Any further action was required regarding system maintenance and redundant system backup.

Audit Scope

The audit scope was limited to an examination of the processes and procedures involving the procurement, testing and operation of the OMS at BWL. The audit was conducted in accordance with *International Standards for the Professional Practice of Internal Auditing* for internal audit functions and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Audit procedures were performed between April 30 and August 31, 2015. Audit methodology included reviewing the processes involved in the managing the OMS and related policies, procedures and transactions for the period February 2009 through June 2015. The methodology included a preliminary survey, which consisted of interviewing various personnel and reviewing reports and procedures to gain an understanding of the OMS and the related documentation to audit. We also included discussion of BWL actions regarding certain recommendations of the Community Review Team (CRT) and BWL that were made in reviews subsequent to the December 2013 ice storm outage and that related to the OMS.

To accomplish our first objective, we:

- Interviewed responsible personnel regarding the pre-procurement and pre-operational actions taken in procuring the current OMS, including potential lessons learned.
- Reviewed procurement and testing documentation for compliance with BWL procurement procedures and completeness.

To accomplish our second objective, we:

- Interviewed responsible personnel and reviewed procedures in place to ensure adequate system stress testing occurred after the system failure in December 2013 to prevent a similar failure in the future.
- Reviewed stress testing results and interpretations from technical experts to ensure the results provided evidence of the system's ability to perform under stressful situations.

To accomplish our third objective, we:

- Interviewed responsible personnel on system redundancy and backup plans.
- Reviewed the system backup as denoted in the BWL Emergency Operations Plan, and the contract for OMS maintenance and support to ensure adequacy of coverage.

Prior Audit Follow-up

There was no prior internal audit of the OMS at BWL to our knowledge.

FINDINGS, RECOMMENDATIONS AND RESPONSES

SYSTEM PROCUREMENT AND PRE-OPERATIONAL TESTING

Audit Objective 1:

Determine whether any further action was required regarding practices used in pre-operational vendor selection and testing leading up to full system operation.

Background:

According to the BWL Procurement Procedures, the Request for Proposal (RFP) is the longest of all the procurement processes and often involves the establishment of an evaluation committee who will score the bidders in a number of different categories to identify the best value proposal. An RFP is required when non-price factors are a major part of the award criteria, and is normally used for complex procurements such as information technology. As with any purchase, price is important but will not be the sole basis for a decision. Pre-proposal conferences should be considered to provide clarification and encourage competition. A minimum of three qualified bidders should be solicited (excerpted from Procedure #3, Public Bidding).

New software systems are subject to rigorous testing of their capabilities prior to the system being placed in a live production environment. Two key tests that were used on the GE PowerOn OMS were the Functional Acceptance Test (FAT) led by the vendor, and the Site Acceptance Test (SAT) led by BWL. Testing results should be documented such that any errors that occurred are noted and either deemed insignificant or flagged for correction and repeat testing. Sufficient time should be scheduled to re-test successfully on a priority basis before going live with the system.

Audit Conclusion:

Actions are needed to improve practices used in pre-operational vendor selection and testing leading up to full system operation.

Finding 1:

BWL procurement procedures regarding the Request for Proposal process dealing with technical evaluation were not clear enough to determine whether they were adequately followed. Since technical evaluation requirements versus optional actions were not made clear, the OMS procurement showed the need for technical evaluation improvements in the period leading up to contract award to prevent significant technical issues after award. For instance:

1. Only two bids were received although eight potential bidders were solicited, in part because the existing OMS vendor declined to bid on the replacement OMS and no attempt was made to further solicit non-bidders to find out why they had not bid on the project.
 - a. The existing OMS vendor (Intergraph) had already proposed an upgrade to its current OMS that was nearing the end of its Maintenance and Support (M&S) contract and in

need of hardware replacement. Intergraph did not participate in the bidding for the replacement OMS because they claimed a lack of opportunity to present their case regarding the upgrade. The upgrade was proposed at a cost of \$174,000; however, its estimated life cycle cost including maintenance and support could not be determined at the time since a long-term support contract was neither requested nor proposed (the table below shows an extrapolation of M&S costs based on a one-year extension offer).

- b. There appeared to be some difference of opinion about whether, in the circumstances, the Intergraph upgrade could be implemented without going through a competitive bidding process, since management had directed a long-term OMS solution that included potential capabilities that the current system may or may not have possessed. At the same time, other IT-based systems at BWL were upgraded routinely without going through the competitive bidding process.
 - c. The unresolved question between the system users and project management was whether the Intergraph upgrade should have been seriously considered given the desired OMS capabilities going forward, and the need to either upgrade or replace the current OMS due to impending obsolescence.
2. The evaluation of non-cost factors was extensive regarding the review of each bidder's technical and functional capabilities, and a series of reference calls to other utilities was made which, overall, seemed to slightly favor the non-selected bidder (CGI Group Inc.).
- a. However, an Excel template file designed to weight and score the proposals on various non-cost factors, as recommended in the BWL procurement procedures was not used. Instead, an informal straw vote was taken on technical and functional capabilities as expressed in RFP responses and considering the reference call results and the straw vote was three for the competing system (CGI), two neutral, and none for GE Energy Systems.
 - b. Since the RFP responses indicated that either bidder could provide the required functionality and GE's cost proposal was less than half the competitor's (see table below), the straw vote results were not considered in the decision to select GE Energy Systems. However, when such a disparity in cost exists and the technical review available seemed to point, however slightly to the competitor, that should have at the least invited more questions, discussion and analysis about technical capabilities between the bidders before the contract was awarded.
3. Technical reviews of the system's capabilities and limitations continued after the contract was awarded to GE confirming several significant shortfalls such as the lack of high

availability redundancy³.

- a. The OMS technical (IT) lead raised concerns about GE's lack of responsiveness to identified concerns. Those concerns were not adequately addressed and the project moved forward. Although high availability redundancy would not have helped the functional failure involving conductor cuts (see description below) in the December 2013 outage, high availability redundancy is critical in ensuring real-time receipt of customer calls from the call system and other key response and reporting capabilities when major outages occur.
 - b. It was noted that the comprehensive RFP document sent to the bidders included thorough questions about high availability system redundancy. However, although GE responded in the affirmative it could not actually deliver that capability. GE promised other reporting and interfacing with other systems that were not adequately delivered, but may have influenced the decision to procure its PowerOn system at the time.
 - c. One key function was the "conductor cuts" capability that enables the system to isolate specific "line down" locations needing restoration and create a work order for the appropriate location. An issue regarding this capability not working was identified in May 2013 and a correcting "patch" was created; however, the patch was not installed prior to the December 2013 outage due to uncertainties from a lack of vendor documentation. Ultimately the conductor cuts issue was resolved by the GE help desk on December 28, 2013, at which point it was too late to effectively support the ice storm outage.
4. The Director of the Information Technology Department (ITD) was appointed to act as the project manager for a future OMS procurement in August 2009, per senior management's direction in consolidating more of the system development and procurement responsibilities under ITD. Up to that point, the project manager was the then-Director of Electric Delivery, who was later moved into ITD and placed in charge of the OMS project, with the technical lead also assigned in ITD. Since the former Director of Electric Delivery was reassigned to work under the Director of ITD who was previously assigned OMS project management responsibilities, the situation created some diffusion of responsibility and authority for project management. According to current IT management and other senior executives, the now-accepted business practice is for the user group to provide the project manager, as long as he or she has the requisite qualifications, and obtain assistance from ITD as needed.
 5. The table below shows a cost comparison between the two bidders on the replacement OMS versus the previous OMS vendor's upgrade proposal, and shows that the upgrade

was potentially the least expensive option, albeit with no guarantee of the same capabilities as the GE and CGI system proposals.

Cost Comparison between OMS Vendors (see footnotes below)

Contract Item	Intergraph (Original OMS contractor)	GE Energy Systems	CGI
System Upgrade	\$174,000*	NA	NA
Base Software Cost	NA	\$120,000	\$379,200
Implementation Cost	NA	\$476,580	\$643,171
Maintenance & Support (3 yrs.)	\$396,000**	\$66,763	\$381,030
Total	\$570,000	\$663,343	\$1,403,401

* The Intergraph upgrade was not based on the technical/functional requirements in the RFP for the replacement OMS, although a significant part of the RFP was derived from the original OMS RFP that was awarded to Intergraph.

** Only one year of M&S was proposed by Intergraph for \$132,000 independent of the system upgrade proposal. That figure was simply extrapolated to a three-year period to coincide with the other proposals.

Recommendation 1:

Management should ensure that in the future, for complex procurements:

1. Technical factors including predicted performance reliability are fully considered and evaluated along with cost.
2. A formal bid evaluation is completed with weightings assigned to various factors for all RFP-based procurements, whether or not an "evaluation committee" is established, and the results are provided to key decision-makers.
3. Full consideration is given to alternatives such as upgrading an existing system versus replacing it, in line with sole source and competitive bidding guidance.
4. The project manager is selected from the user group or department with defined authority from senior management, with ITD in a supporting role.

Management Response:

1. Management agrees. A full review of Purchasing policy is underway, and will include a documented technical review requirement for formal bid evaluations. Implementation is expected by 12/31/15.
2. Management agrees. A full review of Purchasing policy is underway, and will include a documented technical review requirement for formal bid evaluations, including the weighting of factors provided to key decision-makers. Implementation is expected by 12/31/15.
3. Management agrees. A recently formed, cross-discipline Enterprise Technology Team will vet alternatives and provide recommendations for consideration.
4. Management agrees. The selection of Project Manager is determined by the business system owner.

Finding 2:

Testing of the GE PowerOn OMS was not sufficient prior to the go-live date to provide necessary evidence of the system's reliable performance in a production environment. Specifically:

1. In GE's Functional Acceptance Testing (FAT), 43 issues were identified and categorized by severity. Of these, only 12 were listed as "closed" in the final report of test results. In addition, 24 functions were not tested and were noted in the report as tests that were deferred to BWL during its Site Acceptance Test (SAT). The usual practice is to correct FAT issues before proceeding with SAT.
2. Although opinions differed as to the severity of the open issues and whether they could wait until the system went live to be corrected, the OMS project manager expressed reservations about going live with the numbers of unresolved items. The project manager also believed that a system stress test should have been performed before the system went live; however, there was no evidence that this testing was performed. In a management presentation given in early March 2013, it was noted that GE stated its reservations about the ability to go live by mid-February in a January 2013 conference call with BWL. However, after GE promised added resources to address open issues in the coming weeks, the mid-February go-live date was agreed upon.
3. The PowerOn system went "live" on February 14, 2013; only a month after final pre-implementation testing was completed. In the immediate aftermath, the following were noted:
 - a. Eleven open variances from prior to go-live were tagged as "required" for the production (post-go-live) system but unresolved according to a February 22, 2013 variance listing. Ten of these variances were still open on a similar listing for May 6, 2013.
 - b. On a similar listing dated March 28, 2013, in addition to the 11 open pre-go-live variances, 13 new variances were identified with 6 listed as "Severity 1" or the most critical level.
 - c. In a February 20, 2013 e-mail to the GE project manager, the BWL project manager expressed serious concerns with the number of open variances, delayed training, and OMS reports that were still under development that were critical to go-live. In addition, the project manager noted that the system was "very fragile or unstable" in his opinion, and that he had never implemented a system that had so many new problems crop up at this point in the project (this employee had over 30 years of engineering and project management experience at the BWL). In a related e-mail dated March 12, 2013, the project manager expressed similar frustrations, including a problem that prevented daily updates from BWL's Customer Information System to OMS to ensure the database in OMS remained current.

4. The February go-live was deemed critical because of the upcoming storm season, concerns about the existing OMS's risk of failure, and the fact that implementation was already well behind schedule (according to a project schedule provided by GE in December 2011, go-live was to occur on October 2, 2012). However, the Intergraph OMS continued to perform reliably even in the absence of an M&S agreement which had expired in September 2010. Therefore BWL had already gone without vendor support on the existing system for well over two years before going live with GE's PowerOn OMS.
5. Due to the accelerated go-live schedule, the resulting uncertainty about PowerOn's overall reliability, and the inability to meet PowerOn internal training requirements timely, consideration was given by the project team to run the original OMS during an initial period after the PowerOn go-live date. However, this action (referred to as parallel processing) was not taken due to the additional cost and time resources of running parallel systems. A suggestion from the user group to run the GE OMS as a training system until the variances and other issues noted above were resolved was not considered.

Recommendation 2:

Management should:

1. Ensure that future system testing, including a stress test where needed, is followed through to ensure that all significant errors are corrected as demonstrated by follow-up testing, prior to allowing the system to become operational.
2. IT systems should have a planned upgrade or replacement schedule that is consistent with the six-year capital budget planning.
3. Set go-live dates based on an assessment of when the system will be fully tested and ready to roll out. Other factors such as the current system's anticipated obsolescence should be built into the overall schedule to enable a smooth transition.
4. Consider whether to run parallel processing or a period of less than full implementation of the new system for training, etc. on a case-by-case basis, with operational as well as cost considerations evaluated.

Management Response:

1. Management agrees. This is a responsibility of the Project Manager, with oversight of the Project Manager provided by the Enterprise Technology Team.
2. Management agrees. All critical systems will be evaluated by the Enterprise Technology Team and consistent with the 6-year capital forecast.
3. Management agrees. This is a responsibility of the Project Manager, with oversight of the Project Manager provided by the Enterprise Technology Team.
4. Management agrees. This is a responsibility of the Project Manager, with oversight of the Project Manager provided by the Enterprise Technology Team.

SYSTEM CAPACITY STRESS TESTING

Audit Objective 2:

Determine whether system capacity stress testing was sufficient, based on objective criteria, to demonstrate the system's ability to perform successfully during a significant outage scenario such as the December 2013 ice storm outage.

Background:

Stress tests are performed periodically on systems such as the OMS to ensure that the system can handle its identified capacity limits. The stress test should therefore test up to the identified capacity or other defined tolerable limit for assurance that the system can handle maximum workload in an emergency situation. Test results should be adequately documented with conclusions.

The actual calls received per hour during the highest volume call day during the ice storm outage (December 22, 2013) could not be determined; however, over 266,000 calls were received during the 24-hour period, an average of more than 11,000 calls per hour. For peak daylight hours, the numbers per hour would presumably be much higher than the average. However, it was noted that based on informal feedback during the ice storm that many calls were never connected (i.e., busy signal received in repeated attempts).

Audit Conclusion:

System capacity stress testing, although performed on a periodic basis since the December 2013 ice storm outage, needed further improvements to sufficiently demonstrate the system's ability to perform successfully during a significant outage scenario.

Finding 3:

Although stress testing results were interpreted to provide assurance that a worst-case scenario call volume could be handled, more analysis of prior experience, lengthier tests and call processing vendor independent capacity testing were needed to provide added assurance that the call system can be relied upon to meet a defined tolerable stress limit. Although semi-annual stress tests of the GE PowerOn OMS have been performed since the December 2013 ice storm outage, the tests have not been to the identified call capacity of 40,000 calls per hour or other stated tolerable stress limit. Further, the 40,000 calls per hour were not analyzed to confirm whether they exceed a tolerable stress limit. Also, testing results were only partially documented and lacked a conclusion about what the results meant.

Recommendation 3:

Management should:

1. Develop more specific testing criteria (i.e., a tolerable stress limit) based on experience from prior outages, industry benchmarks, etc.

2. Have the call processing vendor perform the independent call capacity test to demonstrate its ability to handle the volume of calls that it is contractually bound to handle or an agreed-upon tolerable stress limit.
3. Develop testing plans/scripts to be used when implementing new systems, or upgrading or changing current systems to ensure thorough testing to the identified stress limit.
4. Future stress tests should include at least a brief narrative explaining the test results.

Management Response:

1. Management agrees and is consulting with an industry expert to create a stress test template for this system to be used for future OMS stress tests. This will be fully implemented by 12/31/15.
2. Management will review capacity reports from vendors showing peaks, average, and raw capacity over the past year. If these reports do not reflect the call volume per contract, existing contract enforcement procedures will be triggered.
3. Management agrees. IT will issue a procedure by 12/31/15 requiring documented business owner acceptance of test criteria and results.
4. Management agrees and, in the new procedure just mentioned in #3 above, IT will reference the need to include a narrative with test results.

SYSTEM MAINTENANCE AND REDUNDANT BACKUP**Audit Objective 3:**

Determine whether any further action was required regarding system maintenance and redundant system backup.

Audit Conclusion:

As recommended by the CRT, the OMS has been integrated into the Emergency Operations Plan, including the manual backup system for use if necessary. The manual backup system used during the ice storm outage was necessitated by functional problems with the OMS and the calling system associated with OMS, not by a lack of system redundancy, although the level of redundancy provided in the current OMS falls short of what was supposed to be delivered (See Finding 1 in the Detailed Report for further explanation). In order to minimize risk in the event of future OMS failure, BWL is in the initial stages of procuring an Advanced Distribution Management System (ADMS). Once implemented, the ADMS will serve to integrate OMS with other operational systems and be fully redundant for all of its operational functions, including Outage Management. Until then, the current OMS is supported by an existing Maintenance & Support contract and the manual back-up system is available if necessary.

Finding: None

Questions were presented to Mr. Perkins during the review, including, whether in Internal Auditor Perkins opinion, the problems identified in the OMS audit were systemic or isolated. He responded that there was some of each element present during the audit. For instance, the decision to re-assign the OMS project manager from the then-Electric Delivery Department to the Information Technology Department (ITD) resulted from a management decision to place all IT systems procurement and management responsibilities under the ITD. This could be looked upon as a systemic issue, although it has since been addressed by the new management team. However, the failure to perform a more formalized technical evaluation of bids was not necessarily systemic, based on a prior procurement audit in which adequate bid evaluations were apparent.

Another question was whether the pre-operational testing treatment of testing errors was typical, i.e., going from one testing phase to the next without correcting the errors from the previous phase. Internal Auditor Perkins stated that in his experience in reviewing system procurements, this situation was not typical. Commissioner Mullen voiced a similar view based on his IT background and experience and stated that with a system as complex as the OMS, system stress testing prior to implementation is a must. A system stress test prior to implementation was not performed on the OMS.

In conclusion, Finance Chair Ross stated that the Board's function is to provide oversight, and not to actually run the operations of the BWL, which is what we hired the General Manager and his team to do. Chair Ross furthermore stated that the Finance Committee is interested in understanding how BWL is putting in place internal controls to detect issues; that BWL has policies and procedures in place to ensure bad things do not occur, as well as to ensure that the BWL is following such policies and procedures.

Public Comment

None

Other

Board Chair David Price informed everyone of upcoming events:

- November 19, 2015 CRT Community Forum Meeting
- December 15, 2015 Commissioner Governance Training with Janice Beecher from MSU

Adjourn

On Motion by Commissioner Louney, Seconded by Price, the meeting adjourned at 8:48 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

FINANCE COMMITTEE
November 10, 2015

The Finance 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 6:28 p.m. on Tuesday, October 10, 2015.

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 Alternate Member Sandra Zerkle. Also, present Commissioners Mark Alley. Non-Voting Members present: Michael Froh (Meridian Township), Bill Long (Delta Township) and Bob Nelson (East Lansing).

Absent: Commissioner Tracy Thomas

The Corporate Secretary declared a quorum.

Public Comments

None

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of October 20, 2015.

Action: Motion Carried

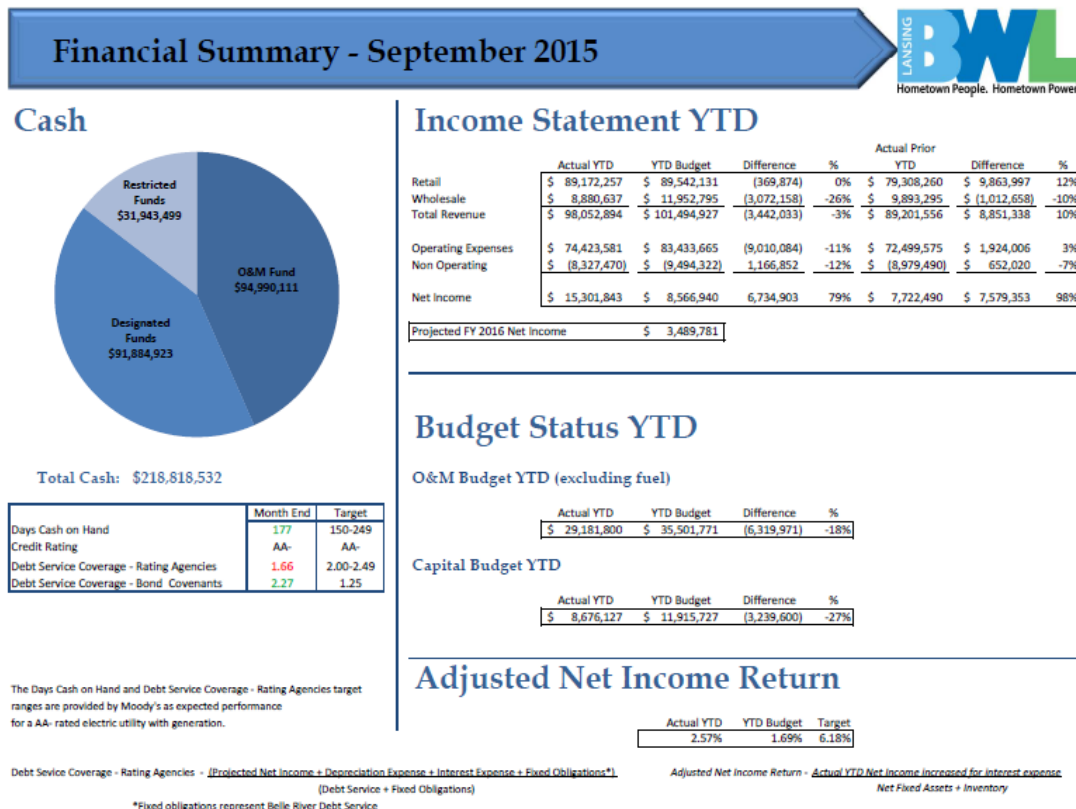
BWL Finance Committee Oversight/Scope & Current Reporting

Chairperson Ken Ross informed the Committee that the Oversight/Scope & Current Reporting document was created and is being presented for edification purposes based on the scope of the Finance Committee, as contained in the BWL's Rules and Procedures. The document outlines (ten) areas of oversight, as well as reports that are coming before the committee and on what frequency.

September Financial Summary

Heather Shawa-DeCook, Chief Financial Officer (CFO) discussed BWL's September 30th Financial Scorecard, covering the following:

- Cash
- Income Statement YTD
- Budget Status YTD
- Adjusted Net Income Return
- Ratios
- Employee Data



Financial Summary - September 2015



Ratios

Operating Ratio

O&M Expense	\$ 64,219,823	=	0.65	APPA Median	0.71
Revenue	\$ 98,052,894				

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

Current Ratio

Current Assets	\$ 207,862,563	=	3.90	APPA Median	2.07
Current Liabilities	\$ 53,233,279				

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

Debt to Total Assets

LT Debt + Accrued Liabilities	\$ 417,499,390	=	0.41	APPA Median	0.61
Total Assets	\$ 1,023,946,147				

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

Days' Sales Outstanding

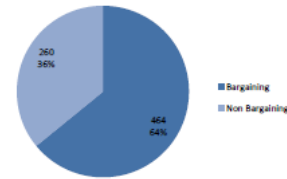
Accounts Receivable	\$ 24,913,485	=	0.76	Prior Year	31
Average Sales	\$ 32,864,788		X 30		
					39 Days

Bad Debt

Actual YTD	YTD Budget	Over/(Under)	% of Revenue	APPA Median
\$414,874	\$443,382	-\$28,508	0.42%	0.28%

Employee Data

Employee Count YTD	724
Budget YTD	753
Over (Under)	(29)
Prior YTD	709
Difference	15



Payroll Data

	Actual YTD	YTD Budget	Difference	Actual Prior YTD	Difference	%
Regular	\$ 12,380,003	\$ 12,620,317	\$ (240,314)	\$ 11,709,593	\$ 670,410	5.7%
Overtime	\$ 1,705,522	\$ 1,423,315	\$ 282,207	\$ 1,607,964	\$ 97,558	6.1%
Total	\$ 14,085,525	\$ 14,043,632	\$ 41,893	\$ 13,317,557	\$ 767,968	5.8%
Total Hours Worked	308,769			308,659		
Labor/Hours Worked	\$ 45.62			\$ 43.15		

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	\$ 2,596,043	\$ 3,308,788	\$ (712,745)
RX	\$ 689,373	\$ 767,393	\$ (78,020)
Dental	\$ 182,783	\$ 324,280	\$ (141,497)
Life	\$ 46,784	\$ 75,886	\$ (29,102)
FICA	\$ 1,047,342	\$ 1,070,311	\$ (22,969)
Other	\$ 384,742	\$ 709,954	\$ (325,212)
Total	\$ 4,947,067	\$ 6,256,612	\$ (1,309,545)

*APPA Median Source is the APPA Selected Financial and Operating Ratios of Public Power Systems, 2014 Data. Specifically utilities with over 100,000 Customers.

Ms. Shawa-DeCook stated that last month, Scott Taylor, Manager of Finance, provided the Committee with specifics on BWL's Cash Balance. In the month of January, the Administration will provide reports on the Income Statement year-to-date, Budget year-to-date and the Adjusted Net Income Return. In addition, the Ratio section of the budget will be covered the following month with the final presentation being the Employee Data section.

Procurement Policy Revision (Resolution)

Heather Shawa-DeCook, Chief Financial Officer (CFO) introduced Bruce Cook, Manager of Purchasing, Warehousing and Fleet Services, who assisted in providing the Committee information, about the recommended proposed changes to the current Procurement Policy. A Resolution was also presented for consideration to support the proposed changed procurement policy.

There was a lengthy discussion regarding the proposed changes to the Procurement Policy.

Motion by Commissioner Price, Seconded by Commissioner Louney, to forward the Procurement Policy to the full Board for Consideration.

Action: Motion Carried

Status of Management Response to Internal Audits as of 10/30/15

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 its status:

STATUS OF MANAGEMENT RESPONSES TO INTERNAL AUDITS AS OF 10/30/15

In Accordance with Board Resolution #2014-07-05

Updates in red

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	Human Resources is in the process of ensuring that I-9 forms are on file for all active employees, with an expected completion date of 12/31/15. An appropriate retention schedule for the asbestos bills of lading will be determined and updated as part of the overall review of the Record Retention Schedule. Enterprise Content Management anticipates an updated schedule will be provided for executive management review by 1/31/16.
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 is reviewing the existing Record Retention Schedule with the appropriate departments and cataloging all proposed revisions. It is anticipated that an updated schedule will be provided for executive management review by 1/31/16.
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.
26 <i>NEW</i>	Management of Mobile Devices	The Internal Auditor noted that guidelines for mobile device management should be documented.	Sept 2015	Information Technology	Guidelines on use of mobile devices are being documented, with completion anticipated by 12/31/15.
27 <i>NEW</i>	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	Data on any mobile devices in need of encryption can and will be identified once the mobile device usage guidelines referred to under issue #26 have been established. Completion by 6/30/16 is anticipated.
28 <i>NEW</i>	Management of Mobile Devices	Internal Audit questioned whether contract terms and conditions covering data loss and manipulation are sufficient.	Sept 2015	Information Technology	Any needed updating of contract terms and conditions will be complete by 12/31/15.
29 <i>NEW</i>	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 6/30/16.
30 <i>NEW</i>	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 6/30/16.
31 <i>NEW</i>	Outage Management System	The Internal Auditor found that procurement procedures regarding technical evaluation during the RFP process need clarification.	Oct 2015	Information Technology	A full review of purchasing policy is underway, with an anticipated completion date of 12/31/15.

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
33 <i>NEW</i>	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	Management is consulting with an industry expert to create an OMS stress test template, reviewing vendor capacity reports, and issuing a new procedure requiring a narrative of test results and documented business owner acceptance of test criteria and results. Completion is targeted for 12/31/15.

Closed Issues (since 7/31/15 report):

15	Accounts Payable	The audit revealed the existence of more than 14,000 vendor master entries, some no longer needed.	June 2014	Accounts Payable	The IT Department determined which vendor entries should be blocked on SAP due to inactivity and blocked them from use.
16	Accounts Payable	The Goods Receipt/Invoice Receipt account balance was found to higher than in previous years. Internal Audit recommends that management focus on resolving mismatched items in this account and clear unresolved documents older than a particular age.	June 2014	Accounts Payable	Accounts Payable cleared older items by working with departments to resolve goods and invoice receipts older than 15 months and reducing the occurrence of invoices 45 days or older. To reduce the recurrence of these types of issues, a refresher training course on the system receiving function was developed. In addition, automated email notification functionality was made available in October 2016, which will further assist with addressing this issue.
20	Materials Inventory Management	The Internal Auditor found access to two inventory-related SAP system transaction types to be excessive.	Jan 2015	Purchasing & Warehousing	Unnecessary access has been removed. Purchasing & Warehousing has also taken it upon itself to develop an additional control, in the form of a periodic report run to monitor a particular situation where duties cannot always be adequately segregated due to limited availability of backup personnel in non-routine instances.
23	Annual Projects Management	Internal Audit determined that the project close-out process did not always include a documented narrative explaining why actual costs exceeded estimates.	July 2015	Customer Projects, Electric System Integrity, and Water Distribution	The project close-out process was enhanced by developing a form and procedure requiring a narrative explanation when project costs exceed estimates by a threshold of 15% and \$50,000.
24	Annual Projects Management	Internal Audit determined that the project close-out process did not always identify use of contingency amounts.	July 2015	Customer Projects, Electric System Integrity, and Water Distribution	The project close-out process was enhanced by the development of a form and procedure requiring identification of the use of contingency amounts when project costs exceed estimates by a threshold of 15% and \$50,000.
32 <i>NEW</i>	Outage Management System	Internal Audit deemed pre-implementation testing to be insufficient.	Oct 2015	Information Technology	Development of the Enterprise Technology Team has served to address this issue. The Team's responsibilities include regular project monitoring and review and formal acceptance of project deliverables.

Ms. Shawa-DeCook addressed a typo in the status column of issue number 16, under closed items, whereby it reads "...functionality was made available in October 2016," as it should read "October 2015."

Internal Audit Status Report

Phil Perkins, Internal Auditor, updated the Board of the Fiscal Year 2016 Audit Plan progress. Mr. Perkins' discussion reflected the following:

Approved FY2016 Audit Plan

Planned Audits:	Completion Status
Follow-up of Selected CRT/MPSC/BWL Recs.	Est Start Date 1/16
Billing	Est Start Date 4/16
IT – Information Security Policies	Est Start Date 2/16
Training & Development	Complete
Hiring Process (replaced Safety Mgt)	33% complete
IT – Manage Changes	10% complete
Other Engagements:	
Surprise Cash Counts (2)	1 of 2 completed
Time Reporting Reviews (2)	1 of 2 completed
Central Maintenance & Fleet Vehicle Time Reporting	50% complete
Other Consulting (NERC/CIP Compliance, IRP/Strat Plan)	No engagements to date



4

Chair Ross suggested that the Internal Auditor evaluate whether it was prudent and whether he had available resources to conduct a cyber-security audit in this cycle.

Internal Auditor Perkins replied that a full-blown cyber-security audit including attempts to penetrate the BWL network would need to be performed by an outside party with such expertise. He noted that an IT Security Policies audit is on the schedule for FY 2016 and that cyber-security is high on the risk assessment list for continued audit work in the foreseeable future.

Public Comment

None

Other

Commissioner Robert Nelson (East Lansing), spoke about the bill insert that BWL electric customers receive as it relates to Public Act 95 of 2013, which protects customers from shut off during the winter season. Mr. Nelson stated his concern about the literature/insert not being as informative as it could be.

After a lengthy discussion regarding the insert language Finance Chairperson Ken Ross reminded the Committee that the Board's duty is not to micromanage the Administration with writing of text. Chair Ross urged management to develop any appropriate changes that would address raised concerns and possibly those changes could be presented to the Committee.

Excused Absence

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

Adjourn

On Motion by Commissioner Louney, Seconded by Price, the meeting adjourned at 7:18 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

HUMAN RESOURCE COMMITTEE
November 10, 2015

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, November 10, 2015.

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, Mark Alley, Sandra Zerkle, and Alternate Member Dennis M. Louney. Also present: Commissioners David Price, Ken Ross, Non-Voting Commissioners Mike Froh (Meridian Township), Bill Long (Delta Township) and Robert Nelson (E. Lansing).

Absent: Commissioner Anthony McCloud.

Public Comments

None

Approval of Minutes

Motion by Commissioner Zerkle, Seconded by Commissioner Alley, to approve the Human Resources Committee meeting minutes of September 15, 2015.

Action: Motion Carried.

PA 152/Employee Contribution to Medical Benefit Plan Resolution

HR Committee Chairperson Tony Mullen introduced Michael Flowers, Executive Director of Human Resources and Heather Shawa-DeCook, Chief Financial Officer, who gave a presentation on the Employee Contribution to Medical Benefit Plan.

Mr. Flowers discussed three options for the BWL to remain compliant under PA 152, 2011.



Public Act 152, 2011

- The BWL has three options:
 - Comply with PA 152 and limit expenditures on health care cost based on a schedule of dollars provided in the Act using the Hard Cap as updated annually; or
 - Limit expenditures on health care cost based on a 80/20 percentage split, requiring a majority vote; or
 - Exempt itself entirely from the Act & choose some other percentage of Premium sharing, requiring a 2/3 vote

There was an extensive discussion regarding the Employee Contribution to a Medical Benefit Plan. The Administration presented a proposed Resolution and asked that the Committee forward the Resolution to the

full Board for consideration.

Proposed Resolution
To Amend Employee Contribution to
Medical Benefit Plans

WHEREAS, Governor Rick Snyder, on September 27, 2011, signed legislation known as the "Public Funded Health Insurance Contribution Act," Public Act 152 of 2011 limiting the amount public employers may pay for government employee medical benefits, and;

WHEREAS, Public Act 152 of 2011 took effect January 1, 2012 and applies to all public employers including the Lansing Board of Water & Light, and;

WHEREAS, Public Act 152 of 2011 created a "hard cap" for medical benefit plan years beginning January 1, 2012, such that a public employer may not pay more than the statutory caps for medical benefit plans, and;

WHEREAS, by a majority vote of its governing body, a public employer may opt-out of the hard cap and into an 80% cap option where the public employer may not pay more than 80% of the total annual costs of all the medical benefit plans for its employees, and;

Whereas, by a 2/3 vote of its governing body each year, a local unit of government may exempt itself from the requirements of Public Act 152 of 2011 for the next year, and;

WHEREAS, the Board of Commissioners met on July 24, 2012 and passed a resolution (#2012-07-01) to exempt itself from the requirements of Public Act 152 of 2011 and implemented a 10% premium sharing, and;

WHEREAS, the Board of Commissioners met on July 23, 2013 and passed a resolution (#2013-07-02) to exempt itself from the requirements of Public Act 152 of 2011 and implemented a 12% premium sharing, and;

WHEREAS, the Board of Commissioners met on September 23, 2014 and passed a resolution (#2014-09-03) to exempt itself from the requirements of Public Act 152 of 2011 and kept the 12% premium sharing, and;

WHEREAS, the Board of Commissioners met on July 28, 2015 and passed a resolution (#2015-07-12) to exempt itself from the requirements of Public Act 152 of 2011 and kept the 12% premium sharing through December 31, 2015, and;

Resolved that the Board by at least 2/3 vote exempts itself from the requirements of Public Act 152 of 2011 for the 2016 health benefit plan year, which is effective January 1, 2016 through December 31, 2016, and;

Further resolved that effective January 1, 2016 the premium sharing for the 2016 health benefit plan year remains at 12% until June 30, 2016 for all active employees.

Be it further resolved that, effective July 1, 2016, for the remaining 2016 health benefit plan year the premium sharing shall increase from 12% to 14% for all non-bargaining employees. Premium sharing for all bargaining employees will remain at 12%, and will then be subjected to the Collective Bargaining Unit Agreement effective November 1, 2016.

Motion by Commissioner Zerkle, Seconded by Commissioner Alley, to forward the proposed resolution for PA 152/Employee Contribution to Medical Benefit Plan to full Board for consideration.

Action: Motion Carried.

Excused Absence

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

Action: Motion Carried

Public Comments

None

Adjourn

Motion by Commissioner Zerkle, Seconded by Commissioner Alley, the meeting adjourned at 6:24 p.m.

Action: Motion Carried

Respectfully Submitted
Tony Mullen, Chair
Human Resources Committee



BOARD OF WATER AND LIGHT
PENSION FUND TRUSTEES ANNUAL MEETING
November 17, 2015

The Pension Fund Trustees 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, November 17, 2015. Chairperson David Price called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Trustees Mark Alley, Anthony McCloud, Tony Mullen, David Price, Ken Ross, and Tracy Thomas.

Absent: Trustee Sandra Zerkle and Dennis M. Louney.

Public Comments

There were no public comments.

Approval of Minutes

On **Motion** by Trustee Mullen and Seconded by Trustee Thomas to approve the minutes of November 11, 2014, Pension Fund Trustees' Annual Meeting Minutes.

Action: Motion Carried

FY 2015 Financial Information

FY 2015 Financial Information Relative to DB, DC and VEBA Plan and Proposed Resolution Adopting the Audited Financial Statements

General Manager, Richard Peffley introduced Chief Financial Officer, Heather Shawa-DeCook, to provide an overview of the Board of Water & Light's (BWL) different Pension Plans.

Ms. Shawa-DeCook provided information on the FY 2015 performance of the Defined Benefit Plan (DB), VEBA Trust Plan and Defined Contribution Plan (DC).

Defined Benefit Plan

Ms. Shawa-DeCook stated that Defined Benefit (DB) Plan currently has 420 participants, only 14 of those being active. As of the valuation date of February 28, 2015, the Plan had \$78 million in plan assets and \$67 million in plan liabilities. The BWL is currently over-funded by \$11 million, meaning its Funded Ratio is slightly under 116%, which is up from roughly 115% from the prior year. For FY 15, the BWL had \$1.7 million in investment income, which equates to a 2% return. For FY 14, the BWL had \$14.2 million in investment income, which equates to a 19% return. Ms. Shawa-DeCook stated that these results are reflective of the market.

For FY 15, the BWL paid out \$8 million in benefits and administrative fees were \$576,000.

Retirement Pension Plan – VEBA

Ms. Shawa-DeCook stated that the VEBA Trust, as of the actuarial valuation date of Feb 28, 2015, has 724 active participants and 713 retiree participants. The VEBA plan had \$158 million in plan assets and \$200 million in plan liabilities. The Board of Water & Light was 78.7% funded; up from 76.3% last year. For FY 15, the BWL had \$3.6 million in investment income, equaling a 2% return. For the prior FY year, the BWL had a \$25.7 million in investment income, equating to 19% return. The BWL paid out \$9.7 million in benefits, and administrative fees were \$1.2 million.

Ms. Shawa-DeCook stated that the BWL's VEBA Plan projects to be fully funded within 10 years, with some critical key assumptions going into BWL's actuarial projections.

Defined Contribution Plan – 401A

Ms. Shawa-DeCook stated that BWL currently has 705 active employees and 222 retirees and beneficiaries in the DC Plan. For FY 15, the DC Plan had \$173 million in plan assets, an increase of \$4 million from the prior year. As of FY 15, the annual fees incurred by plan participants were approximately \$978,000 dollars, or .57% of assets. Approximately \$100,000 additional expenses were incurred by some plan participants due to utilization of ancillary plan services.

For the FY 15, BWL had \$7.3 million in investment income, which equates to a 4% return. For the prior FY, the BWL had \$23.5 million in investment income, which equates to a 16% return. For FY 15, the BWL contributed \$5.5 million into the Plan. Retired Plan participants withdrew \$4.5 million in regular distributions, and an additional \$6 million was rolled out into other retirement plan providers.

Ms. Shawa-DeCook stated that employees are allowed to take out loans against DC plan. Currently, the BWL has 396 loans outstanding, compared to 403 loans last year. The average carrying value of the loan outstanding is approximately \$11,000. The Plan allows participants to have two loans out at any given time. The balance of outstanding loans is \$4.4 million, however, this trend average and balance is decreasing.

ICMA, BWL's DC provider has in the past provided comparisons of BWL's plan to a typical 401A plan, and observed that BWL's employees are more sophisticated in their investment approach.

To assist employees in making informed decisions about retirement savings goals, the BWL offers a robust education by providing employees opportunities to meet with ICMA on weekly basis. The BWL has a powerful, user-friendly website with an array of online, digital and printed education, including a retirement calculator.

Ms. Shawa-DeCook stated that all three of BWL's plans were issued an "Unqualified" opinion, meaning the statements are a fair reflection in all material respects and in accordance with accounting principles generally accepted.

There was a lengthy question and answer discussion regarding the DB, VEBA and DC Plans.

Ms. Shawa-DeCook introduced Marie Vanerian, Managing Director-Wealth Management from Merill Lynch, who provided information on the market performance differences and changes from FY 14 to FY 15 for the Defined Benefit and VEBA Plans.

PROPOSED RESOLUTION

ACCEPTANCE OF 2015 AUDITED FINANCIAL STATEMENTS FOR DEFINED BENEFIT PENSIONS PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN (VEBA)

Motion by Trustee Alley, Seconded by Trustee Thomas to forward the Resolution to the full Board for consideration.

Excused Absence

Motion by Trustee Mullen, Seconded by Trustee McCloud to excuse Trustees Louney and Zerkle from tonight's meeting

Action: Motion Carried

Adjourn

On Motion by Trustee Thomas and Seconded by Trustee McCloud with no further business, the Pension Fund Trustees meeting adjourned at 5:38 p.m.

MANAGER'S RECOMMENDATIONS

There were no Manager's Recommendations

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTIONS

RESOLUTION 2015-11-01

PROCUREMENT POLICY

WHEREAS, Section 5-203.4 of the Lansing City Charter requires the BWL to adopt policies and procedures to assure fairness in procuring personal property and services and disposing of personal property; and

WHEREAS, on July 27, 2010 the Board adopted a Procurement Policy which superseded the previously adopted Purchasing Policy dated May 27, 2003; and

WHEREAS, it is desirable to update the Board's Procurement Policy to revise exclusions to the policy and competitive bidding thresholds.

RESOLVED, that the Board adopt the attached Procurement Policy dated December 1, 2015 and made effective December 1, 2015.

RESOLVED FURTHER, that where the adopted policies do not parallel those of the City's, the Board has determined that the City's policies are inconsistent with the best practices for the operation of a public utility.

RESOLVED FURTHER, that the Procurement Policy adopted July 27, 2010 is superseded as of December 1, 2015.

RESOLVED FURTHER, that Resolution 2010-07-02, which adopted the Procurement Policy, is rescinded as of December 1, 2015.

RESOLVED FURTHER, this Procurement Policy provides the foundation for revisions to the Procurement Procedures.

Motion by Commissioner Price, Seconded by Commissioner McCloud to approve the Resolution for the Procurement Policy amendments.

Action: Motion Carried

RESOLUTION 2015-11-02

Resolution To Amend Employee Contribution to Medical Benefit Plans

WHEREAS, Governor Rick Snyder, on September 27, 2011, signed legislation known as the "Public Funded Health Insurance Contribution Act," Public Act 152 of 2011 limiting the amount public employers may pay for government employee medical benefits, and;

WHEREAS, Public Act 152 of 2011 took effect January 1, 2012 and applies to all public employers including the Lansing Board of Water & Light, and;

WHEREAS, Public Act 152 of 2011 created a “hard cap” for medical benefit plan years beginning January 1, 2012, such that a public employer may not pay more than the statutory caps for medical benefit plans, and;

WHEREAS, by a majority vote of its governing body, a public employer may opt-out of the hard cap and into an 80% cap option where the public employer may not pay more than 80% of the total annual costs of all the medical benefit plans for its employees, and;

Whereas, by a 2/3 vote of its governing body each year, a local unit of government may exempt itself from the requirements of Public Act 152 of 2011 for the next year, and;

WHEREAS, the Board of Commissioners met on July 24, 2012 and passed a resolution (#2012-07-01) to exempt itself from the requirements of Public Act 152 of 2011 and implemented a 10% premium sharing, and;

WHEREAS, the Board of Commissioners met on July 23, 2013 and passed a resolution (#2013-07-02) to exempt itself from the requirements of Public Act 152 of 2011 and implemented a 12% premium sharing, and;

WHEREAS, the Board of Commissioners met on September 23, 2014 and passed a resolution (#2014-09-03) to exempt itself from the requirements of Public Act 152 of 2011 and kept the 12% premium sharing, and;

WHEREAS, the Board of Commissioners met on July 28, 2015 and passed a resolution (#2015-07-12) to exempt itself from the requirements of Public Act 152 of 2011 and kept the 12% premium sharing through December 31, 2015, and;

Resolved that the Board by at least 2/3 vote exempts itself from the requirements of Public Act 152 of 2011 for the 2016 health benefit plan year, which is effective January 1, 2016 through December 31, 2016, and;

Further resolved that effective January 1, 2016 the premium sharing for the 2016 health benefit plan year remains at 12% until June 30, 2016 for all active employees subject to the Collective Bargaining Unit Agreement, and;

Be it further resolved that, effective July 1, 2016, for the remaining 2016 health benefit plan year the premium sharing shall increase from 12% to 14% for all active employees subject to the Collective Bargaining Unit Agreement.

Motion by Commissioner Mullen, Seconded by Commissioner Thomas to approve the Resolution for the PA152 Employee Contribution to their Medical Benefit Plan.

Action: Motion Carried

RESOLUTION 2015-11-03

ACCEPTANCE OF 2015 AUDITED FINANCIAL STATEMENTS FOR THE DEFINED BENEFIT PENSION PLAN, DEFINED CONTRIBUTION PENSION PLAN, AND RETIREE BENEFIT PLAN (VEBA)

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

Staff comments: All three Plans received clean audit reports.

Motion by Commissioner Alley, Seconded by Commissioner Ross to approve the Resolution for the Acceptance of the 2015 Audited Financial Statements for the Defined Benefit, Defined Contribution and VEBA Pension Plans.

Action: Motion Carried

RESOLUTION 2015-11-04
2016 REGULAR BOARD MEETING SCHEDULE



BOARD MEETING SCHEDULE

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

RESOLVED, That regular meetings of the Board of Water & Light’s Board of Commissioners are hereby set for calendar year 2016 as follows, unless otherwise notified or, as a result of date conflicts with rescheduled City Council meetings:

2016

Board of Water & Light Commissioners
Regular Board Meeting Schedule

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

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

RESOLVED FURTHER, That a notice of the meeting schedule be published in the Lansing City Pulse the week of January 1, 2016.

Motion by Commissioner Thomas, Seconded by Commissioner Ross to approve the Resolution for the 2016 Regular Board meeting dates.

Action: Motion Carried

MANAGER’S REMARKS

General Manager Peffley stated that the Finance Committee on November 10th asked the Management to provide the Committee with alternative wording for the BWL Connections. General Manager Peffley asked the Corporate Secretary to disseminate the revised newsletter to the Committee.

General Manager Peffley reminded everyone to come out to the Silver Bells in the City event.

COMMISSIONERS' REMARKS

Commissioner Alley provided an update to the Committee on the HOPE Scholarship. Commissioner Alley also stated that the next level of this program is the Lansing Promise Scholarship, which is a program assists Lansing students with financial help for college. Mr. Alley gave his gratitude to the BWL for its support over the years for these two programs.

Commissioner Ross asked General Manager Peffley to give the Board an update on the Integrated Resource Plan (IRP). General Manager Peffley stated that thus far, the BWL has held three out of its five meetings, where the BWL is seeing a lot of engagement in its panel; however, community engagement has not been very significant.

Mr. Peffley also introduced Mr. George Stojic, Executive Director of Planning and Development, who provided a more in depth update on the IRP process, as well as information on what each held meeting focused on. Mr. Stojic stated that the next meeting is scheduled for December 9th 2015, and will focus on Hometown Energy Savings program, energy efficiency programs, onsite generation and such. The last meeting is tentatively scheduled for January 6th 2016, and will focus on the integration, the need for generation as well as options to determine trade-offs between resources and goals that the Citizens Advisory Committee will be adopting for the Plan. Mr. Stojic also stated that it is possible a 6th meeting would be necessary. It is anticipated that this process will be completed by the first week of March, with a goal to have the report due from the Citizens Advisory Committee by mid-April of 2016. The report will be presented to the Board in May of 2016.

Commissioner Ross furthermore asked whether the Citizens Advisory Committee is equipped enough to guide the discussion when synthesizing information and goals for the adoption of the IRP plan, and whether the management and/or consultants will be engaged. In response, Mr. Stojic stated that Public Sector Consultants would be engaged.

Chairperson Price stated that Committee of the Whole Chair, Louney confirmed that the Committee will devote two meetings to receiving recommendations on the IRP process.

Commissioner Nelson thanked the staff for addressing his concerns regarding the BWL Connections publicizing PA95; and he hopes to revisit the matter in the future.

EXCUSED ABSENCE

On motion by Commissioner Mullen, Seconded by Commissioner Thomas to excuse Commissioner Zerkle and Non-Voting Member Long from tonight's meeting.

PUBLIC COMMENTS

Chairperson Price gave a reminder that on Thursday, November 17, 2015 at 5:30 P.M., the Community Review Team (CRT) will hold a final report.

ADJOURNMENT

On motion by Commissioner Thomas, Seconded by Commissioner McCloud the meeting adjourned at 6:22 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: 12-7-15
Official Minutes filed (electronically) with Lansing City Clerk: 1-28-16