



MINUTES OF THE BOARD OF COMMISSIONERS MEETING

LANSING BOARD OF WATER AND LIGHT

September 26, 2017

The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, September 26, 2017.

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

Present: Commissioners Beth Graham, Anthony McCloud, Anthony Mullen, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: William Long (Delta Township), Robert Nelson (East Lansing), and Rod Taylor (DeWitt Township).

Absent: Commissioner Dennis Louney

The Corporate Secretary declared a quorum.

Commissioner Rod Taylor led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Mullen, Seconded by Commissioner Graham, to approve the Regular Board Meeting minutes of July 25, 2017.

Action: Motion Carried

PUBLIC COMMENTS

Marilyn Plummer, Juneteenth Committee Chair and former BWL Commissioner, read and presented the Board of Commissioner a letter expressing gratitude for supporting Juneteenth on celebrating their 24th year.

Gwen Coney, Lansing, MI, spoke in support of PA95.

COMMUNICATIONS

Electronic Mail received From or Re:

- a. Jeff Phillips regarding Joint-Use of BWL Utility Poles-*Referred to Management. Received and Placed on File*
- b. Ebony Chapman regarding her Recent BWL Statement-*Referred to Management. Received and Placed on File*
- c. Tammy Weiss from the City of E. Lansing regarding the Resignation of E. Lansing's BWL Commissioner Representative Bob Nelson-*Referred to Management. Received and Placed on File*

Commissioner Nelson spoke about PA95 and recommended that the BWL opt into the PA 95 program in the future.

COMMITTEE REPORTS

HUMAN RESOURCES COMMITTEE
Meeting Minutes

September 12, 2017

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 5:00 p.m. on Tuesday, September 12, 2017.

Human Resources (HR) Committee Chairperson Tracy Thomas called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tracy Thomas, Anthony McCloud, Tony Mullen, and Sandra Zerkle. Also present: Commissioner David Price; and Non-Voting Commissioners William Long and Robert Nelson.

Public Comments

None

Approval of Minutes

Motion by Commissioner Zerkle, Seconded by Commissioner Mullen, to approve the Human Resources Committee meeting minutes of June 29, 2017.

Action: Motion Carried.

PA152 Health Care Premium Sharing Resolution

HR Committee Chairperson Tracy Thomas introduced Michael Flowers, Executive Director of Human Resources. Mr. Flowers reviewed and discussed BWL's options regarding Public Act 152's requirements associated with capping the amount a public employer may pay for health care insurance.



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

In conclusion, the recommendation is that the Board select option 3 and exempt itself from the requirements of PA 152 of 2011 for all active employees' medical benefits, effective January 1, 2018 with an increase from 14% to 16% in premium sharing contribution. 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;

WHEREAS, the Board of Commissioners met on November 17, 2015 and passed a resolution (#2015-11-02) to exempt itself from the requirements of Public Act 152 of 2011 and kept the 12% premium sharing through December 31, 2016 for Union employees and implemented a 14% premium sharing for Non-Union employees effective July 1, 2016, and;

WHEREAS, the Board of Commissioners met on November 15, 2016 and passed a resolution (#2016-11-06) to exempt itself from the requirements of Public Act 152 of 2011 and kept the 14% premium sharing effective July 1, 2016, and;

RESOLVE that the Board by at least 2/3 vote desires to exempt itself from the requirements of Public Act 152 of 2011 for the upcoming benefit plan year, effective January 1, 2018 through December 31, 2018.

FURTHER RESOLVE that the Board desires to increase premium sharing from 14% to 16% for all active employees for medical benefits effective January 1, 2018.

Motion by Commissioner Mullen, Seconded by Commissioner McCloud, to forward the proposed resolution for PA 152 Health Care Premium Sharing to full Board for consideration.

Action: Motion Carried.

Other

None

Adjourn

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

Action: Motion Carried

Meeting adjourned at 5:11 p.m.

Respectfully Submitted,
Tracy Thomas, Chair
Human Resources Committee

COMMITTEE OF THE WHOLE

Meeting Minutes September 12, 2017

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 5:30 p.m. on Tuesday, September 12, 2017.

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

Present: Commissioners Tony Mullen, Beth Graham, Dennis M. Louney, Anthony McCloud, David Price, Tracy Thomas, and Sandra Zerkle and Non-Voting Members: William Long (Delta Township), Robert Nelson (East Lansing), and Rod Taylor (DeWitt Township).

Absent: Commissioner Ken Ross

The Corporate Secretary declared a quorum.

Public Comments

None.

Amendments and Restatements of Retirement Plan Trust Agreements

Commissioner Mullen shared information regarding the tabled agenda item. Ron Byrnes of the IBEW is still reviewing the Trust Agreement for retirement plans with his legal team. Amendments may be sent in the next two weeks to be addressed at the upcoming Board meeting.

Motion by Commissioner Price, **Seconded** by Commissioner McCloud to take the Amendments and Restatements of Retirement Plan Trust Agreements from the table.

Action: Motion Carried.

Scott Taylor, Finance Manager reviewed two revised retirement plan documents, the Post-Retirement Benefit (VEBA) Plan (Retiree Health Care Plan) Trust Agreement and the Defined Benefit (DB) Plan Trust Agreement. Each of the plans contain a plan document and a trust agreement. The plan document governs the specific benefits being provided and the eligibility requirements and the trust agreement was established to accumulate the funds necessary to fund the benefits. The changes were targeted at bringing the agreements up-to-date and in alignment with regulatory changes, practice changes, and changes that have been made over time to the plan documents. None of the changes affect the benefits from the plan.

Discussion: Commissioner Mullen requested an explanation of the difference between the commissioners acting as trustees and as a Board member. Mr. Taylor responded that when the Board members convene to change plan documents or plan design, they are acting as the plan sponsor. The Board, as the sponsor of the plan document, sets the benefits and eligibility requirements. When the Board members convene annually in November at the trustees meeting to review the performance of the investment portfolio and the performance of the investment managers, to carry out or execute the terms of the trust agreements, the commissioners are acting as trustees.

Commissioner Nelson questioned the definition of trustees being removed from the Trust Agreement for the Post-Retirement Benefit Plan on page 2. General Counsel Brandie Ekren responded that the definition was placed above in the same section of the document with additional clarity. Commissioner Nelson also questioned the process of removal of a Trustee and selecting a replacement Trustee. Ms. Ekren responded that the removal of a trustee would be for ethical concerns or for not honoring the trust and the replacement trustee would be a Board Commissioner.

Motion by Commissioner Thomas, **Seconded** by Commissioner Price to accept the Amendment and Restatement of Trust Agreement for the Post-Retirement Benefit Plan (VEBA) with the proposed edits and forward to the Board for consideration.

Action: Motion Carried

Motion by Commissioner Price, **Seconded** by Commissioner Thomas to accept the Amendment and Restatement of Trust Agreement for the Defined Benefit Plan (DB) with the proposed edits and forward to the Board for consideration

Action: Motion Carried.

Approval of Minutes

Motion by Commissioner Thomas, **Seconded** by Commissioner Price, to approve the Committee of the Whole meeting minutes of July 11, 2017.

Action: Motion Carried.

2018 Regular Board Meeting Dates Resolution

Committee of the Whole Chair Mullen presented a proposed Resolution setting the BWL Board of Commissioners 2018 Regular Board Meeting Dates as directed by Section 1.1.2 of the BWL's Rules of Procedure.

Motion by Commissioner Price, **Seconded** by Commissioner Thomas to approve the 2018 Regular Board Meeting Dates Resolution.

Action: Motion Carried.

Strategic Plan Update 2017

General Manager Dick Peffley introduced George Stojic, Executive Director of Strategic Planning, who reviewed the updates to the 2017 Strategic Plan which was adopted in September 2016. Mr. Stojic indicated that the Plan's objectives and tasks were composed of two types; those that are project oriented and composed of a specific scope, budget and schedule a and those that are reoccurring or ongoing. He introduced an update spreadsheet and explained the color coding that was designed to show progress in meeting the Plan's objectives.

Mr. Stojic reviewed progress on selected objectives within the seven Strategic Plan strategies: Customer Experience, Community Involvement, Effectively Acquire and Manage Resources, Implement New Technologies, Workforce, Financial Stability, and BWL Leadership. Mr. Peffley commented that the first GM Roundtable, as part of the Community Involvement strategy, was well attended and was designed to be educational about the BWL. He also indicated that some of the objectives would be the subject of Committee of the Whole presentations in coming months.

According to Mr. Stojic, the BWL staff was on schedule for completing or had completed most of the tasks included in the Strategic Plan. The only exception noted by Mr. Stojic was Task 1.2a, in Customer Experience. He stated that Task 1.2a, a technology survey, was coded orange for caution because there was some miscommunication within the company. However, the survey should be completed by the end of the year. He also addressed advanced metering infrastructure (AMI) technologies and related technology projects. Under Effectively Acquiring and managing resources, Mr. Stojic spoke about upgrading the electric transmission and distribution system, completing the central substation in

order to close the Eckert facility, and implementing an asset management program. With respect to new technologies, Mr. Stojic noted the IT deep dive and that it would be the subject of a future Committee of the Whole meeting.

Under the workforce strategy Mr. Stojic discussed attracting potential applicants and succession planning along with the re-placement, moving and training of workers from the Eckert Power Plant to new positions in the BWL. Mr. Stojic reported that the items listed under the Financial Stability Strategy will be covered in the Finance Meeting on September 19, 2017. He also indicated that Strategy 7 organizational efficiency would be the subject of a future Committee of the Whole meeting.

A Commissioner asked about energy efficiency. Mr. Stojic responded that energy efficiency meetings would be held in 2017 and 2018. He also indicated that an energy efficiency plan expansion proposal would be submitted to the Board in 2019. A question was also asked about the development of a cost-effective demand response program being completed in 2017 rather than 2018. Mr. Stojic responded that the AMI needs to be deployed before the demand response program can be completed. Commissioner Taylor asked what is being done to implement this plan within the organization and what is being done to ensure economic development investments. Mr. Stojic and Mr. Peffley responded that BWL reaches out to all planning commissions in the area and develop business relationships with organizations. Various incentives can be offered to these entities.

Commissioner Price commended and thanked Mr. Stojic for the thorough update on the Strategic Plan.

Sierra Club Settlement

General Manager Dick Peffley spoke briefly about the Sierra Club settlement and expressed satisfaction that the settlement supports the BWL's strategic plan.

New Plant Update

General Manager Dick Peffley spoke about the changes in the economics to the new plant site and pipeline plans. An increase in Consumers Energy distribution rate has caused an extra cost of one million dollars per year at the REO plant and the new plant will be considerably larger than REO.

Public Comment

None.

Other

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

Action: Motion Carried

Adjourn

Motion by Commissioner Price , **Seconded** by Commissioner Thomas to adjourn the meeting.

Meeting adjourned at 6:35 p.m.

Respectfully Submitted
Tony Mullen, Chair
Committee of the Whole

FINANCE COMMITTEE
Meeting Minutes
September 19, 2017

The Finance Committee of the 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, September 19, 2017.

Finance Committee Chair Ken Ross called the meeting to order and requested a roll call.

Present: Commissioners Ken Ross, David Price, and Sandra Zerkle serving as an alternate. Also present: Non-Voting Commissioners William Long and Robert Nelson.

Absent: Commissioners Beth Graham and Dennis Louney

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Price, **Seconded** by Commissioner Zerkle, to approve the Finance Committee meeting minutes of July 11, 2017.

Action: Motion Carried.

Baker Tilly External Audit Report and Resolution

Chief Financial Officer Heather Shawa introduced external auditor Bethany Ryers, CPA and Senior Manager at Baker Tilly Virchow Krause, LLP. Ms. Ryers presented and highlighted the external audit report which included an audit overview, observations and recommendations, and the ICPA audit standards. BWL received an unmodified or clean opinion which is the highest level of assurance provided. No material weaknesses or significant deficiencies were noted.

Ms. Ryers' presentation was as follows:

LANESING BWL
Hometown People. Hometown Power.

Finance Committee Meeting -
September 19, 2017
2017 Audit Presentation

Agenda

- > Audit Overview
- > Observations and Recommendations
- > Required Communication to Governing Body

BAKER TILLY
Creditor Insight. Results.

Board of Water and Light - City of Lansing
Audit overview

BAKER TILLY
Creditor Insight. Results.

- Audit performed in accordance with *Generally Accepted Auditing Standards*
- Audit objective - reasonable assurance that financial statements are free from material misstatement
- Financial statements of BWL received an *Unmodified Opinion*

Financial Statements Include

- Auditors' report
- Management discussion and analysis
- Enterprise fund statements
- Consolidated pension trust statements
- Notes
- Required supplemental information
- Additional information

LANESING BWL
Hometown People. Hometown Power.

Board of Water and Light - City of Lansing
Audit overview

BAKER TILLY
Creditor Insight. Results.

- Audit assesses internal controls
- "...a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources"
- Controls must meet the goal and objectives of Operations, Reporting and Compliance

LANESING BWL
Hometown People. Hometown Power.

Board of Water and Light - City of Lansing
Audit overview

BAKER TILLY
Creditor Insight. Results.

Controls reviewed in key transaction areas

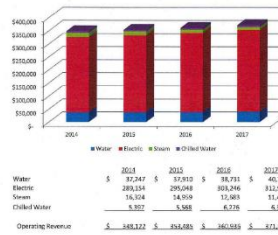
- Disbursements
- Payroll
- Billings
- Cash and investments
- Capital assets
- Information technology
- Financial reporting

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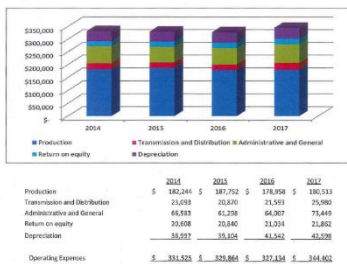
- > Reported net income of \$4,329,000 after impairment on Erickson Power Station of \$9,337,000
- > Bond coverage was met in 2017
- > There were no material weaknesses reported
- > The combined deficiencies in control related to information technology that were reported as part of the 2016 audit have been properly addressed to resolve this issue going forward



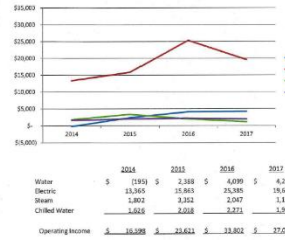
Operating Revenues – Four-year Comparison (in thousands)



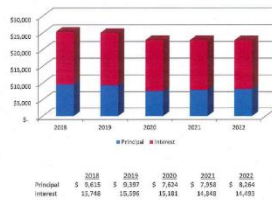
Operating Expenses – Four-year Comparison (in thousands)



Operating Income – Four-year Comparison (in thousands)



Future Debt Service Requirements (in thousands)



Debt service after 2022 includes remaining principal payments of \$281,800,000 and interest payments of \$175,326,000.

- > Separate financial statements issued for each pension plan
- > GASB Statement No. 74 was implemented for the Retiree Benefit Plan and Trust
- > All three plans received unmodified audit opinions

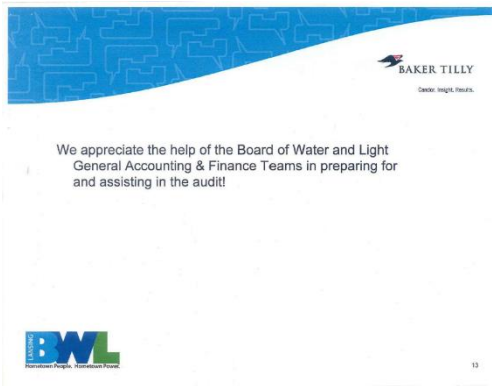


Future accounting standards

- > GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions – effective for fiscal year 2018
- > GASB Statement No. 83 Certain Asset Retirement Obligations – effective for fiscal year 2019

Area to be Communicated	Area to be Communicated
Our responsibility under Auditing Standards Generally Accepted in the United States	Other Information in Documents Containing Audited Financial Statements
Planned Scope and Timing of the Audit	Accounting Policies
Accounting Estimates	Financial Statement Disclosures
Difficulties Encountered in Performing the Audit	Corrected and Uncorrected Misstatements
Disagreements with Management	Consultations with Other Independent Accountants
Management Representations	Auditor Independence





Commissioner Nelson inquired about the IT issue from 2016 and Ms. Ryers responded that the deficiency was from the prior year and had been resolved.

Commissioner Ross commented about the GASB Statement No. 74 for retirement benefits being a new schedule, net position vs liability, how well funded the plan is and asked for an explanation for net liability as a percentage of covered employee payroll. Ms. Ryers responded that the information is required supplementary information based on the new GASB No. 74 standard and net liability as a percentage of covered employee payroll informs where the funding stands.

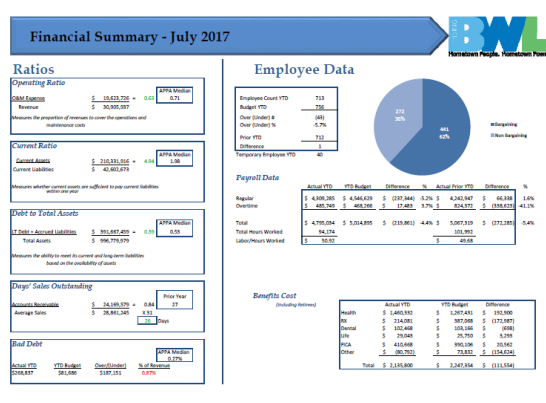
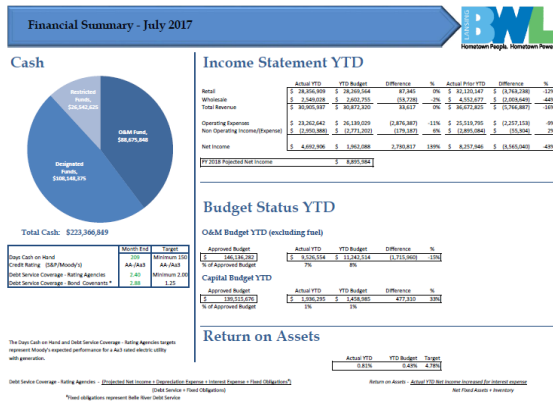
Commissioner Long inquired about the promissory note to the City of Lansing in the amount of \$13.2 million. Ms. Shawa responded that this note was for a CSO project and that annual payments of \$800,000 to \$900,000 are made and there will be a catch-up payment in fiscal year 2018 for 2017.

Motion by Commissioner Price, **Seconded** by Commissioner Zerkle, to forward to the Board Meeting the Acceptance of the 2017 Audited Financial Statements Resolution.

Action: Motion Carried.

July YTD Financial Summary

Chief Financial Officer (CFO), Heather Shawa, presented the following:



CFO Heather Shawa presented the July 2017 Year-to-date Financial Summary which indicated that the total Cash is over \$223M, Days Cash on hand is \$209M, and debt service coverage ratio is 2.40. The Year-to-date income statement as of July YTD is meeting budget by \$2.7M. The projected fiscal-year-end net income has not been changed from the FY18 budget and the revenue for the first month is at break even. Ms. Shawa also mentioned that four out of the five ratios are being met.

FY2018-2023 Financial Forecast Plan and Resolution

Ms. Shawa presented the FY2018-2023 Financial Plan.

FY 2018 – 2023 Financial Plan

Finance Committee Meeting
September 19, 2017

Overview

- Six Year Operating Forecast
 - Financial Goals
 - Return on Assets
 - Financial Assumptions
 - Financial Forecast
 - Financial Metrics by Utility
- Six Year Capital Forecast
 - Total Capital Forecast
 - Major Capital Projects
- Next Steps

FY 2018 – 2023 Financial Plan

The BWL has established the following financial goals.

- Maintain High Credit Quality
 - The BWL is currently rated AA- by S&P and Aa3 by Moody's
- Ensure Adequate Liquidity
 - The BWL should have the ability to meet near term obligations when due
 - The BWL has targeted the following financial metrics
 - Days Cash on Hand Minimum Target: 150 Days
 - Debt Service Coverage Minimum Target: 2.00
 - Board Approved Return on Assets: 4.78%
- Maintain Rate Competitiveness

FY 2018 – 2023 Financial Plan

Return on Assets

- An adequate return on assets is essential to municipal utilities.
- It ensures that current rate payers are not "kicking the can down the road" or deferring cost recovery to future generations.
- A proper return on assets recovers two main items:
 - Interest Expense
 - Inflationary increase of infrastructure replacement costs
- The BWL has established a return on assets of 4.78% beginning in FY 2018, as approved by the board of commissioners.

FY 2018 – 2023 Financial Plan

The following assumptions have been considered for the forecast.

- Projected Sales
 - Electric – Retail sales remain nearly flat due to energy efficiency offsetting underlying growth. Wholesale sales experience an increase beginning in FY 2021 due to added capacity from the new combined cycle plant.
 - Water – Retail sales decrease slightly due to efficiency. Wholesale sales increase slightly as a result of development in surrounding areas.
 - Steam – Sales are held constant.
 - Chilled Water – Sales are held constant.
- Operating expenses have been forecasted to increase at an annual 2.4% inflationary rate from FY 2018 – FY 2023.

*Source - The Budget and Economic Outlook 2017-2022 - Congress of the United States Congressional Budget Office

FY 2018 – 2023 Financial Forecast

	2018	2019	2020	2021	2022	2023
Operating Revenue	\$ 355,444,270	\$ 359,740,080	\$ 367,002,461	\$ 432,261,855	\$ 446,976,202	\$ 457,550,200
Operating Expenses						
Fuel and Purchased Power	\$ 121,300,000	\$ 115,463,000	\$ 121,183,777	\$ 151,708,300	\$ 154,855,789	\$ 154,844,400
Depreciation	\$ 45,709,000	\$ 46,207,000	\$ 50,024,577	\$ 57,207,266	\$ 57,683,800	\$ 70,837,862
Other Operating Expenses	\$ 146,136,282	\$ 148,448,586	\$ 150,817,289	\$ 152,951,289	\$ 154,029,307	\$ 156,487,504
Total Operating Expenses	\$ 313,206,064	\$ 312,117,586	\$ 322,025,643	\$ 361,027,257	\$ 366,568,896	\$ 382,169,766
Total Operating Income	\$ 42,238,206	\$ 47,622,494	\$ 44,976,818	\$ 71,254,608	\$ 80,407,406	\$ 75,380,434
Non-Operating Expenses						
Interest Expense	\$ 13,556,618	\$ 13,342,155	\$ 13,442,725	\$ 24,075,724	\$ 24,644,653	\$ 26,178,421
Other Non-Operating Expenses	\$ 19,788,604	\$ 19,189,076	\$ 20,171,657	\$ 21,569,885	\$ 21,776,655	\$ 22,019,868
Total Non-Operating Expenses	\$ 33,345,222	\$ 32,531,231	\$ 33,614,382	\$ 45,645,609	\$ 46,421,308	\$ 48,198,289
Total Net Income	\$ 8,892,984	\$ 15,091,263	\$ 11,362,436	\$ 25,608,999	\$ 33,986,098	\$ 27,182,145

FY 2018 – 2023 Financial Plan

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	2018	2019	2020	2021	2022	2023
Beginning Operating Cash	\$ 90,926,058	\$ 84,873,120	\$ 82,678,429	\$ 84,877,434	\$ 85,922,246	\$ 87,379,963
Sources of Cash						
Net Income	\$ 8,295,084	\$ 23,046,340	\$ 33,234,636	\$ 29,389,289	\$ 34,027,319	\$ 37,950,444
Depreciation	\$ 45,879,982	\$ 48,287,000	\$ 50,674,375	\$ 52,207,265	\$ 47,683,800	\$ 70,479,462
Loss on Disposal of Assets	\$ 1,014,053	\$ 1,146,223	\$ 1,150,223	\$ 1,140,223	\$ 1,140,223	\$ -
Borrowing	\$ 50,000,000	\$ 24,476,259	\$ 224,809,452	\$ -	\$ -	\$ -
Withdrawal from Reserve	\$ 34,000,000	\$ (4,000,000)	\$ (5,000,000)	\$ (6,000,000)	\$ (7,000,000)	\$ (13,000,000)
Fixed Cost Undercollection	\$ 2,027,683	\$ -	\$ -	\$ -	\$ -	\$ -
Net Environmental	\$ 4,410,072	\$ 77,877	\$ (109,446)	\$ (407,643)	\$ (551,250)	\$ (518,200)
Pipeline Refund	\$ 485,000	\$ 485,000	\$ -	\$ -	\$ -	\$ -
Total Sources of Cash	\$ 150,235,844	\$ 177,879,685	\$ 296,938,324	\$ 84,638,261	\$ 79,379,951	\$ 75,869,879
Uses of Cash						
Debt Principal	\$ (6,334,029)	\$ (7,026,213)	\$ (7,744,100)	\$ (11,828,026)	\$ (12,422,717)	\$ (12,960,414)
Capital Expenditures	\$ (18,833,326)	\$ (22,122,426)	\$ (25,100,800)	\$ (29,413,817)	\$ (34,423,719)	\$ (39,000,809)
Renewable Energy & EOP Plan	\$ (884,970)	\$ (1,367,250)	\$ (1,474,200)	\$ (1,438,240)	\$ (844,897)	\$ -
Other Uses of Cash	\$ (23,545,616)	\$ (23,026,436)	\$ (23,824,250)	\$ (23,824,250)	\$ (23,824,250)	\$ (23,824,250)
Total Uses of Cash	\$ (49,604,741)	\$ (54,542,325)	\$ (58,143,350)	\$ (66,484,133)	\$ (71,515,673)	\$ (76,785,473)
Net Cash Increase/Decrease	\$ 100,631,103	\$ 123,337,360	\$ 238,794,974	\$ 18,154,128	\$ 7,864,278	\$ (6,915,594)
Ending Operating Cash	\$ 81,400,169	\$ 87,076,421	\$ 84,877,434	\$ 85,922,246	\$ 87,379,964	\$ 89,770,247

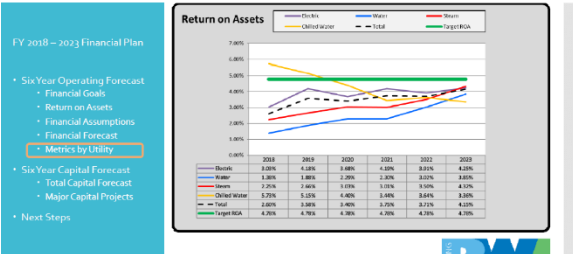
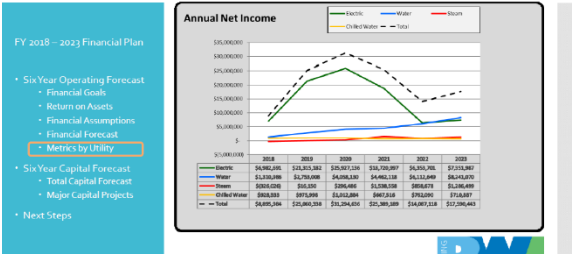
*** This forecast is PRELIMINARY. Site studies and plant design are still underway.*

FY 2018 – 2023 Financial Plan

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Net Income (Rate)	2018	2019	2020	2021	2022	2023
Electric	\$ 6,592,691	\$ 21,113,282	\$ 25,922,246	\$ 18,222,287	\$ 4,353,451	\$ 2,261,983
Water	\$ 1,101,090	\$ 2,710,000	\$ 4,016,100	\$ 4,402,218	\$ 6,112,489	\$ 8,242,070
Steam	\$ (120,000)	\$ 81,220	\$ 204,400	\$ 2,510,280	\$ 888,479	\$ 2,286,991
Civil and Water	\$ 228,313	\$ 17,290	\$ 1,224,881	\$ 1,224,881	\$ 762,248	\$ 720,887
All Utilities Total	\$ 8,801,094	\$ 24,661,392	\$ 31,368,207	\$ 26,384,686	\$ 14,017,468	\$ 13,291,931

Return on Assets	2018	2019	2020	2021	2022	2023
Electric	3.07%	4.18%	3.81%	4.23%	3.91%	4.23%
Water	2.88%	2.88%	2.22%	2.23%	3.92%	3.85%
Steam	2.23%	2.60%	3.03%	3.24%	3.20%	4.32%
Civil and Water	5.73%	3.23%	4.40%	3.44%	3.44%	3.84%
All Utilities Total	2.60%	3.58%	3.40%	3.71%	3.71%	4.14%
Rate Cash on Hand	1.7%	1.9%	1.9%	1.9%	1.9%	1.9%
Capital Coverage	2.24	1.98	1.81	2.30	2.38	2.10



FY 2018 – 2023 Financial Plan

- Six Year Operating Forecast
 - Financial Goals
 - Return on Assets
 - Financial Assumptions
 - Financial Forecast
 - Metrics by Utility
- Six Year Capital Forecast
 - Total Capital Forecast
 - Major Capital Projects
- Next Steps

Utility	2018	2019	2020	2021	2022	2023	Six Year Total
Electric	\$ 24,931	\$ 24,499	\$ 18,732	\$ 18,291	\$ 19,719	\$ 32,796	\$ 134,978
Water	\$ 7,041	\$ 8,399	\$ 9,611	\$ 7,041	\$ 8,399	\$ 7,702	\$ 46,495
Steam	\$ 7,790	\$ 4,401	\$ 3,133	\$ 4,401	\$ 2,941	\$ 2,871	\$ 24,638
Civil and Water	\$ 4,401	\$ 4,401	\$ 4,401	\$ 4,401	\$ 4,401	\$ 4,401	\$ 26,406
Location	\$ 18,813	\$ 22,021	\$ 28,000	\$ 18,813	\$ 18,813	\$ 18,813	\$ 111,273
NEW NCC PLANT**	\$ 70,720	\$ 82,710	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 295,130
TOTAL CAPITAL BUDGET	\$ 106,906	\$ 122,031	\$ 159,276	\$ 60,366	\$ 63,632	\$ 68,702	\$ 460,203

FY 2018 – 2023 Financial Plan

- Six Year Operating Forecast
 - Financial Goals
 - Return on Assets
 - Financial Assumptions
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 - Total Capital Forecast
 - Major Capital Projects
- Next Steps

Planned Projects	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Forecast Total
NEW NCC Plant	\$60,000,000	\$82,710,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$192,710,000
Water	\$7,041,000	\$8,399,000	\$9,611,000	\$7,041,000	\$8,399,000	\$7,702,000	\$46,495,000
Steam	\$7,790,000	\$4,401,000	\$3,133,000	\$4,401,000	\$2,941,000	\$2,871,000	\$24,638,000
Civil and Water	\$4,401,000	\$4,401,000	\$4,401,000	\$4,401,000	\$4,401,000	\$4,401,000	\$26,406,000
Electric	\$24,931,000	\$24,499,000	\$18,732,000	\$18,291,000	\$19,719,000	\$32,796,000	\$134,978,000
NEW NCC PLANT**	\$70,720,000	\$82,710,000	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$295,130,000
TOTAL CAPITAL BUDGET	\$106,906,000	\$122,031,000	\$159,276,000	\$60,366,000	\$63,632,000	\$68,702,000	\$460,203,000

FY 2018 – 2023 Financial Plan

- Six Year Operating Forecast
 - Financial Goals
 - Return on Assets
 - Financial Assumptions
 - Financial Forecast
 - Metrics by Utility
- Six Year Capital Forecast
 - Total Capital Forecast
 - Major Capital Projects
- Next Steps

Finance Committee to accept, as presented, the Operating and Capital Forecasts for FY 2018 – 2023 and recommend for Board of Commissioners' approval on September 26, 2017.

Board of Commissioners to adopt, as presented, the Operating and Capital Forecasts for FY 2018 – 2023 and submit the Capital Forecast to the Mayor prior to October 4, 2017.

City Charter calls for submission of the six year capital improvements plan to the Mayor prior to October 1.

FY 2018 – 2023 Financial Plan

- Six Year Operating Forecast
 - Financial Goals
 - Return on Assets
 - Financial Assumptions
 - Financial Forecast
 - Metrics by Utility
- Six Year Capital Forecast
 - Total Capital Forecast
 - Major Capital Projects
- Next Steps

Ms. Shawa noted that there is an assumption built into the forecast—that GM will renew its steam contract which expires October 1, 2022. Updates will be provided as the date approaches. In addition, an attrition factor of retirements and resignations plus possible increases in health care costs are built into the forecast.

Motion by Commissioner Price, **Seconded** by Commissioner Zerkle, to accept as presented the Operating and Capital Forecasts for FY 2018-2023 and to forward to the Board Meeting for consideration.

Action: Motion Carried.

Rate Strategy Recommendations FY 2018-2023

Chief Financial Officer Heather Shawa presented the Rate Strategy Recommendations for FY 2018-2023.

Ms. Shawa noted the Rate Strategy Timeline and a key date for a Special Board meeting on December 5, 2017.

Rate Strategy Timeline

- City clerk filing of proposed tariffs by October 16, 2017
 - The city clerk filing is due 45 days prior to public hearing.
- Publication of Notice by November 15, 2017
 - The publication of notice must be at least 14 days prior to the public hearing.
- Public hearing on November 30, 2017
 - The public hearing must be at least 30 days prior to rate implementation.
- Proposed Special Board meeting for final tariff approval on December 5, 2017
- Rate Strategy Implementation on February 1, 2018



Ms. Shawa reviewed the following highlighted BWL Rate Making Principles, Financial Stewardship, and Proposed Rate Strategy Impacts:

BWL Rate Making Principles

- In accordance with Resolution 2000-23, the board has established the following rate-making principles:
 - Rates shall be established at a level that will enable the Board of Water and Light (BWL) to meet its mission of serving the Greater Lansing area by providing high quality utility services, reliably, at the lowest reasonable cost.
 - The BWL shall recover the costs of serving its customers through its rates. Rates and charges should be sufficient to cover all O&M expenses, payment to the city, depreciation expense, and a reasonable return on the BWL's capital investment.
 - The return on the BWL's capital investment shall be sufficient to provide cash flow for debt service, bond coverage, and capital improvements.
 - Those who benefit from the BWL's services should pay for those services.
 - Rates for each class of customer should, as nearly as practicable, reflect the cost of providing service to that class.
 - Each utility managed by the BWL should be self-supporting. No utility should subsidize any other utility.
 - Rates should be reviewed annually and adjusted as deemed necessary to maintain the financial integrity of the BWL and minimize the financial impact on our customers.
 - Rates shall be established and implemented according to Lansing City Charter Section 5-205 refers to the BWL's authority to set just and reasonable rates and defines the public hearing process.



Financial Stewardship

Maintain Above Average Bond Rating

Key Metrics with No Rate Increases

Six Year Forecast: FY 2018 - FY 2023						
Net Income Category	FY 2018		FY 2019		FY 2020	
	Without Proposed Rate Increases	With Proposed Rate Increases	Without Proposed Rate Increases	With Proposed Rate Increases	Without Proposed Rate Increases	With Proposed Rate Increases
Electric	\$ 4,961,479	\$ 13,817,096	\$ 13,899,482	\$ 19,814,111	\$ 19,814,111	\$ 19,814,111
Water	\$ 802,073	\$ 861,249	\$ 1,442,770	\$ 1,442,770	\$ 1,442,770	\$ 1,442,770
Steam	\$ 803,408	\$ 1,611,320	\$ 1,167,802	\$ 1,228,479	\$ 1,228,479	\$ 1,228,479
Chilled Water	\$ 203,113	\$ 75,000	\$ 1,022,884	\$ 403,113	\$ 403,113	\$ 403,113
All Utilities Total	\$ 5,769,073	\$ 13,805,465	\$ 15,899,288	\$ 22,888,372	\$ 22,888,372	\$ 22,888,372
Debt Service Coverage Minimum Target: 2.00	2.00	2.00	2.00	2.00	2.00	2.00
Debt Service Coverage	2.23	2.61	2.62	2.62	2.62	2.62
Return On Assets	2.9%	3.4%	3.4%	3.4%	3.4%	3.4%

Impact of Proposed Rate Strategy

Reflects February 1st Implementation each Fiscal Year

Utility	Proposed Rate Increase	FY 2018 Impact of Proposed Rate Increases		FY 2019 Impact of Proposed Rate Increases		FY 2020 Impact of Proposed Rate Increases	
		Net Income Without Increases	Return On Assets Without Increases	Net Income With Increases	Return On Assets With Increases	Net Income With Increases	Return On Assets With Increases
Electric	3.0%	\$ 4,961,479	3.0%	\$ 6,981,071	3.0%	\$ 13,817,096	
Water	5.0%	\$ 802,073	1.0%	\$ 1,322,986	1.0%	\$ 1,442,770	
Steam	5.0%	\$ 803,408	1.7%	\$ 1,167,802	1.7%	\$ 1,228,479	
Chilled Water	0.0%	\$ 203,113	5.7%	\$ 403,113	5.7%	\$ 403,113	
All Utilities Total	3.0%	\$ 5,769,073	3.2%	\$ 8,895,984	3.2%	\$ 13,805,465	



Commissioner Ross asked Ms. Shawa if she was able to monetize and estimate how much of savings there was and Ms. Shawa responded that we are not able to now but are able to looking forward.

Ms. Shawa introduced Mark Beauchamp, President of Utility Financial Solutions (UFS), BWL's Cost of Service Study Consultant, who talked about industry trends nationally and reviewed the following electric, water, steam and chilled water rate strategies:

Electric Cost of Service Process: Overview

- Annually, BWL completes a cost of service (COS) study
 - Historically, the results were not used to guide rate design for our general rate classes; rather, BWL applied the same percentage increase to each rate class
 - In 2014, BWL started the process to move street lights to cost of service
- To better match the cost recovery with cost causation and remain competitive, BWL recommends to move rates towards cost of service for the first time
 - This is consistent with State of Michigan policy of establishing rates consistent with cost of service
- BWL contracted with Utility Financial Solutions (UFS) to update our cost of service model
 - Cost of service studies compare revenues from each class of customers with the cost to provide service to each class
- Financial forecast called for a 3% overall increase; as BWL determined that all rate classes would receive at least 1.5% annual increases, but no more than 4.5%, to move rates towards cost of service
 - This will cause a gradual movement towards cost of service



Electric Strategy:

Overview

Annual Net Income Impact

Changes by Rate

- Staff reviewed and updated the cost of service model with the help of Utility Financial Solutions (UFS)
 - UFS is a well-established consultant for utilities
 - Frequently present at American Public Power Association (APPA) conferences and works with many municipal utilities
- Summary of Recommendations from Study:
 - Overall increase each fiscal year
 - Move rates towards cost of service
 - Increase customer charges and demand charges
 - Add High Load Factor Rate
 - Add LED rates for street lighting and outdoor protective lighting
 - Update voluntary renewable program (Green Wise)
 - Update Rate 1a to all Unmetered Services
- Other Recommendations
 - Reduce Renewable Energy Plan (REP) surcharge to 50
 - Increase Energy Optimization (EO) surcharge
 - Update Modified Net Metering Language
 - Pole Attachments to move from Rules & Regulations to a tariff
 - Energy Cost Adjustment (ECA) baseline adjustment
 - Change name to Power Supply Cost Recovery (PSCR)



Electric Strategy:

Overview

Annual Net Income Impact

Changes by Rate

Utility	Proposed Rate Increase	FY 2018 Impact of Proposed Rate Increases		FY 2019 Impact of Proposed Rate Increases		FY 2020 Impact of Proposed Rate Increases	
		Net Income Without Increases	Return On Assets Without Increases	Net Income With Increases	Return On Assets With Increases	Net Income With Increases	Return On Assets With Increases
Electric	3.0%	\$ 4,961,479	3.0%	\$ 6,981,071	3.0%	\$ 13,817,096	
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Steam	5.0%	\$ 803,408	1.7%	\$ 1,167,802	1.7%	\$ 1,228,479	
Chilled Water	0.0%	\$ 203,113	5.7%	\$ 403,113	5.7%	\$ 403,113	
All Utilities Total	3.0%	\$ 5,769,073	3.2%	\$ 8,895,984	3.2%	\$ 13,805,465	



Electric Strategy:

Overview

Annual Net Income Impact

Changes by Rate

Rate	COS	Feb-18	Feb-19	Feb-20
Rate 1, Residential	12.4%	3.90%	3.90%	3.90%
Rate 1a, Senior Citizen Residential	45.4%	3.90%	3.90%	3.90%
Rate 2, Electric Vehicles	-14.3%	2.00%	2.00%	2.00%
Rate 3, General Service	1.9%	3.25%	3.25%	3.25%
Rate 7, Municipal Pumping	15.9%	4.50%	4.50%	4.50%
Rate 12, Space and Water Heating	-8.1%	2.00%	2.00%	2.00%
Rate 4, Large General Service	-1.7%	2.00%	1.90%	1.90%
Rate 5, Primary Service	-5.5%	1.55%	1.55%	1.55%
Rate 6, High Load Factor	NEW	NEW	NEW	3.00%
Rate 8, Large Capacity Service	3.2%	3.25%	3.25%	3.25%
Rate 11, Unmetered Services	130.1%	9.00%	9.00%	9.00%
Rate 9, Outdoor Protective Lighting	-5.3%	2.90%	1.90%	1.90%
Rate 11, Company Owned Street Lights	15.4%	5.20%	5.20%	5.20%
Rate 18a, Company Owned Street Lights	89.2%	5.20%	5.20%	5.20%
Rate 12, Customer Owned Street Lights	-3.0%	1.90%	1.90%	1.90%
Total Electric Increase		3.00%	3.00%	3.00%



Rate 1, Residential:

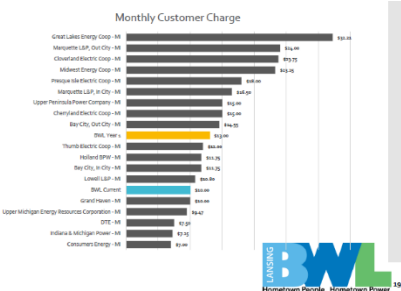
Overview

Billing Determinants

Customer Charge Survey

Comparison of Residential Electric Bills 569 KWh Customer

Comparison to Consumers Energy, Rate Case U-18322



Water Rates:

Overview

Annual Net Income Impact

Comparison of Residential Water Bills 6 ccf Customer

Rate Strategy

- 5.5% Increase FY 2018
- 7.5% Increase FY 2019
- 7.5% Increase FY 2020

Combining basic service charge for 5/8" and 3/4" meters in Rates 1 & 2 to conform to BWL standards

BWL to review and update cost of service model in next three years

Water Rates:

Overview

Annual Net Income Impact

Comparison of Residential Water Bills 6 ccf Customer

Utility	Proposed Rate Increase	Net Income Without Increases	Return On Assets Without Increases	Net Income With Increases	Return On Assets With Increases
Electric	3.0%	\$ 4,893,479	3.99%	\$ 6,882,691	4.18%
Water	5.5%	\$ 927,673	1.95%	\$ 1,340,056	3.18%
Steam	5.5%	\$ 853,668	1.73%	\$ 1,256,020	2.25%
Chilled Water	0.0%	\$ 928,333	5.73%	\$ 928,333	5.73%
All Utilities Total		\$ 5,744,617	2.20%	\$ 8,895,984	2.60%

Utility	Proposed Rate Increase	Net Income Without Increases	Return On Assets Without Increases	Net Income With Increases	Return On Assets With Increases
Electric	3.0%	\$ 13,927,046	3.99%	\$ 21,315,182	4.18%
Water	7.5%	\$ 884,234	6.62%	\$ 2,753,008	1.88%
Steam	7.5%	\$ 1,013,900	1.99%	\$ 1,510,100	2.66%
Chilled Water	0.0%	\$ 975,998	5.13%	\$ 975,998	5.13%
All Utilities Total		\$ 15,805,460	2.46%	\$ 25,060,338	3.58%

Utility	Proposed Rate Increase	Net Income Without Increases	Return On Assets Without Increases	Net Income With Increases	Return On Assets With Increases
Electric	3.0%	\$ 13,927,046	3.99%	\$ 21,315,182	4.18%
Water	7.5%	\$ 1,427,976	-0.95%	\$ 4,058,130	2.20%
Steam	7.5%	\$ 1,587,500	0.29%	\$ 2,766,486	3.03%
Chilled Water	0.0%	\$ 1,012,884	4.40%	\$ 1,012,884	4.40%
All Utilities Total		\$ 11,089,286	1.76%	\$ 17,294,636	3.40%

Water Rates:

Overview

Annual Net Income Impact

Comparison of Residential 6 ccf Customer

Sample Monthly Bill Breakdown

	Current	Feb-18
Service Charge (Per Month)	\$ 12.20	\$ 13.72
Commodity (Per ccf)	\$ 2.79	\$ 2.94
PCA	\$ 0.175	\$ 0.175

Estimated Monthly Usage: 6 ccf or about 4500 gallons

	Current	Feb-18
Service Charge	\$ 12.20	\$ 13.72
Commodity	\$ 17.79	\$ 18.71
Total Bill	\$ 29.99	\$ 32.43

Change from Previous: \$ 2.44 (8.1%)

Comparison to Other Utilities

Steam Rates:

Overview

Annual Net Income Impact

Comparison of Commercial Steam Bills 100 Mlbs Customer

Utility	Proposed Rate Increase	Net Income Without Increases	Return On Assets Without Increases	Net Income With Increases	Return On Assets With Increases
Electric	3.0%	\$ 4,893,479	3.99%	\$ 6,882,691	4.18%
Water	5.5%	\$ 927,673	1.95%	\$ 1,340,056	3.18%
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Steam Rates:

Overview

Annual Net Income Impact

Comparison of Commercial Steam Bills 100 Mlbs Customer

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Comparison to Other Utilities

Chilled Water Rates:

Overview

Annual Net Income Impact

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Electric	3.0%	\$ 4,893,479	3.99%	\$ 6,882,691	4.18%
Water	5.5%	\$ 927,673	1.95%	\$ 1,340,056	3.18%
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Chilled Water Rates:

Overview

Annual Net Income Impact

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Commodity	\$ 17.79	\$ 18.71
Total Bill	\$ 29.99	\$ 32.43

Change from Previous: \$ 2.44 (8.1%)

Comparison to Other Utilities

Mr. Beauchamp stated that industry trends include having a power cost adjustment mechanism in place and that this is one of the most important financial policies of a foreign electric utility when it comes to bond ratings. Other policies to have in place are a cash reserve policy and a capital improvement program. Also, because of the economy, more utilities are putting economic development rights in place in a manner that doesn't harm existing repairs.

Mr. Beauchamp noted that current rates are based on pattern of usage rather than amount of usage and the industry is moving toward rates based on cost of usage. Recovery of fixed costs will be from increases in customer charges and demand charges. A new class of rates will be created for high load factor customers. Mr. Beauchamp defined demand ratchets as the minimum that is billed in order to properly recover the investment or fixed costs in the distribution infrastructure when a customer's peak load volumes have significant variance at different times of the year.

Commissioner Nelson inquired if there was a way to give the low-income customer a separate rate. Mr. Beauchamp responded that most electric utilities do not consider themselves a social service organization. If they do provide lower rates it is at a discount based on a poverty percentage.

Commissioner Nelson inquired about the different rate increases related to cost of service and Ms. Shawa responded that those services with the larger gap will take longer to achieve cost of service so their rate increases are larger than 4.50%.

Finance Committee Chair Ken Ross recessed the meeting at 7:50 p.m. and reconvened the meeting at 7:54 p.m.

Commissioner Long inquired in reference to low income energy assistance whether it is considered a rate change or not. He suggested that some kind of language be included to leave an option for the board to opt in or opt out and to give the consumer or rate payer notice of rate changes. GM Peffley responded that if language isn't placed into the strategy then any changes are prohibited. Ms. Shawa responded that if PA95 is factored into the rate change, the residential rate increase would go to 5.1% when implemented.

Motion by Commissioner Price to include the PA95 opt in rate increase into the rate strategy.

Action: There was no second. Motion died.

Motion by Commissioner Zerkle, **Seconded** by Commissioner Price, to forward to the Board Meeting the FY 2018-2020 Rate Strategy Resolution to set the public hearing.

Commissioner Price offered a **Friendly Amendment** to change from whom the directive is coming in the resolution.

Action: Motion Carried.

Internal Auditor Charter and Resolution

<p>Lansing Board of Water and Light <i>Internal Audit Charter - 2015 Revision</i></p> <hr/>	<p>Lansing Board of Water and Light <i>Internal Audit Charter - 2015 Revision</i></p> <hr/>
<p>Mission:</p> <p>The mission of internal audit is to provide independent, objective auditing and consulting services to the Board of Commissioners, enabling the Board to better serve customers, employees, and the community.</p> <p>Purpose:</p> <p>Internal audit's purpose is to add value and improve operations. It helps BWL accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.</p> <p>Independence:</p> <p>The Internal Auditor is appointed annually by the Board of Commissioners, and reports to them through the Chair of the Finance Committee. For administrative purposes, the Internal Auditor also reports to the General Manager. To ensure independence, the internal audit function shall have no direct responsibility or any authority over any of the activities or operations of the BWL.</p> <p>Authority:</p> <p>Internal Audit shall have unrestricted access to all activities, records, properties, and personnel. All processes, activities, and responsibility areas are subject to audit.</p> <p>Responsibility and Scope:</p> <p>Management is responsible for establishing and maintaining risk management, control, and governance processes. Internal Audit is responsible to determine whether management's processes are adequate and functioning in a manner to ensure:</p> <ul style="list-style-type: none">• Risks are appropriately identified and managed.• Significant financial, managerial, and operating information is accurate, reliable, and timely.• Resources are acquired economically, used efficiently, and adequately accounted for and protected.• Employees' actions are in compliance with policies, procedures, standards, laws, regulations and contracts.• Programs, plans and objectives are achieved. <p>Regarding the scope of requested consulting activities, Internal Audit shall perform consulting and advisory services related to governance, risk management and control as appropriate for the organization.</p>	<p>Standards:</p> <p>The internal audit activity will govern itself by adherence to "The Institute of Internal Auditors' mandatory guidance including the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards)". This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.</p> <p>As supplemental guidance for the performance of audits, the Internal Auditor shall consider and, where appropriate, comply with Generally Accepted Government Auditing Standards promulgated by the Government Accountability Office.</p> <p>Internal Audit Plan:</p> <p>At least annually, the Director of Internal Audit will submit to the General Manager and the Board an internal audit plan for review and Board approval. The internal audit plan will be developed using a risk based methodology, including input of the General Manager and the Board. Any significant deviations from the approved internal audit plan will be communicated to the General Manager and the Board through periodic activity reports.</p> <p>Periodic Assessment:</p> <p>The Director of Internal Audit will communicate annually to the General Manager and the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.</p>

Motion by Commissioner Zerkle, **Seconded** by Commissioner Price, to forward to the Board Meeting the Resolution for Acceptance of Internal Auditor Charter.

Action: Motion Carried.

Other

Motion by Commissioner Price, **Seconded** by Commissioner Zerkle, for the excused absences of Commissioners Beth Graham and Dennis Louney.

Action: Motion Carried.

Adjourn

Chair Ken Ross adjourned the meeting at 8:36 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER’S RECOMMENDATIONS

None

UNFINISHED BUSINESS

None

NEW BUSINESS

None.

RESOLUTIONS

RESOLUTION 2017-09-01

PA 152 Health Care Premium Sharing

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;

WHEREAS, the Board of Commissioners met on November 17, 2015 and passed a resolution (#2015-11-02) to exempt itself from the requirements of Public Act 152 of 2011 and kept the 12% premium sharing through December 31, 2016 for Union employees and implemented a 14% premium sharing for Non-Union employees effective July 1, 2016, and;

WHEREAS, the Board of Commissioners met on November 15, 2016 and passed a resolution (#2016-11-06) to exempt itself from the requirements of Public Act 152 of 2011 and kept the 14% premium sharing effective July 1, 2016, and;

RESOLVE that the Board by at least 2/3 vote desires to exempt itself from the requirements of Public Act 152 of 2011 for the upcoming benefit plan year, effective January 1, 2018 through December 31, 2018.

FURTHER RESOLVE that the Board desires to increase premium sharing from 14% to 16% for all active employees for medical benefits effective January 1, 2018.

Motion by Commissioner Ross, Seconded by Commissioner Thomas, to approve the PA 152 Health Care Premium Sharing Resolution.

Action: Motion Carried

RESOLUTION 2017-09-02

Amendment and Restatement of Trust Agreement for Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (VEBA)

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (the "VEBA"); and

WHEREAS, the cost of VEBA benefits is funded partially through the Trust Agreement for Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (the "VEBA Trust"); and

WHEREAS, the Sponsor wants to amend the VEBA Trust to reflect current governance procedures and for other purposes.

THEREFORE, it is:

RESOLVED, that, after its review, and based on a recommendation from management, the Sponsor adopts and approves the attached amended and restated Trust Agreement for Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light.

Motion by Commissioner Mullen, Seconded by Commissioner Graham, to approve the Amendment and Restatement of Trust Agreement for the Post-Retirement Benefit Plan (VEBA).

Action: Motion Carried

RESOLUTION 2017-09-03

Amendment and Restatement of Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions (DB)

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions (the "Defined Benefit Plan"); and

WHEREAS, the cost of Defined Benefit Plan benefits is funded through the Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions (the "Pension Trust Agreement"); and

WHEREAS, the Sponsor wants to amend the Pension Trust Agreement to reflect current governance procedures and for other purposes.

THEREFORE, it is:

RESOLVED, that, after its review, and based on a recommendation from management, the Sponsor adopts and approves the attached amended and restated Trust Agreement for the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions.

Motion by Commissioner Mullen, Seconded by Commissioner Thomas to approve the Amendment and Restatement of Trust Agreement for the Defined Benefit Plan (DB).

Action: Motion Carried

RESOLUTION 2017-09-04

2018 Regular Board Meeting Schedule

In accordance with the Lansing 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 Lansing Board of Water & Light's Board of Commissioners are hereby set for calendar year 2018 as follows, unless otherwise notified or as a result of date conflicts with rescheduled City Council meetings:

2018

**Lansing Board of Water & Light Board of Commissioners
Regular Board Meeting Schedule**

Tuesday	January 23
Tuesday	March 27
Tuesday	May 22
Tuesday	July 24
Tuesday	September 25
Tuesday	November 13

Meetings will be held in the Lansing Board of Water & Light 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 shall be published in a newspaper of general circulation in Ingham County the week of January 1, 2018.

Motion by Commissioner Graham, Seconded by Commissioner Zerkle to approve the 2018 Regular Board Meeting Dates.

Action: Motion Carried

RESOLUTION 2017-09-05

**Fiscal Year 2017 Audited Financial Statements
of the Enterprise Fund and Pension Fiduciary Funds**

RESOLVED, that the fiscal year 2017 Audited Financial Statements of the Board of Water and Light have been reviewed and are hereby accepted as presented.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2017 Audited Financial Statements of the Board of Water and Light and the report on auditing procedures with the State Treasurer as required by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended) no later than December 31, 2017.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2017 Audited Financial Statements of the Board of Water and Light with the City of Lansing.

Motion by Commissioner Ross, Seconded by Commissioner Zerkle to accept the Resolution for the 2017 Audited Financial Statements.

Action: Motion Carried

Chair Price noted that BWL received an unqualified opinion from the external auditor which is the highest opinion to be received.

RESOLUTION 2017-09-06

Fiscal Year 2018-2023 Capital Forecast

RESOLVED, that the forecast for capital expenditures for the Fiscal Years 2018-2023 is hereby accepted as presented.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to submit a copy of the Fiscal Year 2018-2023 Capital Forecast of the Board of Water and Light to the Mayor of the City of Lansing prior to October 1, 2017 in accordance with the Lansing City Charter.

Motion by Commissioner Ross, Seconded by Commissioner Graham to accept the Resolution for the Capital Forecast for Fiscal Years 2018-2023.

Action: Motion Carried

RESOLUTION 2017-09-07

Public Hearing for 2018-2020 Rate Adjustments

WHEREAS, rates shall be established at a level that will enable the Board of Water and Light (BWL) to meet its mission of serving the Greater Lansing area by providing high quality utility services, reliably, at the lowest reasonable cost; and

WHEREAS, in accordance with the BWL's Rate Making Principles, BWL management has reviewed the electric rates relative to its financial plan and recommends an overall increase of 3%, comprised of varying individual rate class increases, to electric billings on February 1, 2018, February 1, 2019, and February 1, 2020; and

WHEREAS, in accordance with the BWL's Rate Making Principles, BWL management has reviewed the water relative to its financial plan and recommends a 5.5% increase to water billings on February 1, 2018 and a 7.5% increase to water billings on February 1, 2019 and February 1, 2020; and

WHEREAS, in accordance with the BWL's Rate Making Principles, BWL management has reviewed the steam rates relative to its financial plan and recommends a 5.5% increase to steam billings on February 1, 2018 and a 7.5% increase to steam billings on February 1, 2019 and February 1, 2020;

RESOLVED, the Board of Commissioners accepts BWL management's recommendations as proposed rate adjustments.

FURTHER RESOLVED, the proposed rate adjustments will be subject to further consideration after a public hearing is held.

FURTHER RESOLVED, that the Board of Commissioners hereby sets the date of November 30, 2017 at 5:30 p.m. for a public hearing to solicit public input on the proposed rate adjustments. The hearing will be held in the Board of Water and Light offices, 1201 S. Washington Avenue, in the Depot facility. The Corporate Secretary is directed to file with the City Clerk no later than October 16, 2017 information regarding proposed rate adjustments with effective dates of February 1, 2018, February 1, 2019, and February 1, 2020.

Motion by Commissioner Thomas, Seconded by Commissioner Mullen to approve Setting a Public Hearing for November 30, 2017 in consideration of 2018-2020 Rate Strategy.

Action: Motion Carried

RESOLUTION 2017-09-08
Internal Auditor Charter Approval

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

Motion by Commissioner Thomas, Seconded by Commissioner Mullen to accept the Internal Auditor Charter.

Action: Motion Carried

MANAGER'S REMARKS

General Manager Dick Peffley announced the following:

1. The MMEA Conference is being hosted by the BWL and will be held October 4-6, 2017.
2. The Huron wind project was overturned by voters and another project, the Pegasus project, has been approved and will be in construction in the thumb area; this will bring the BWL to 18% in.
3. BWL participated in Rock the Block in the Eastside neighborhood to make existing homes safer and more affordable; 17 energy audits were performed and over 200 LED's were replaced in addition to 7 refrigerators were replaced.

4. The BWL Chili Cook-Off is being held Friday September 29, 2017.
5. BWL utility crews have returned from Florida.
6. The Maximum Generation for the year was hit the first day of fall.

Commissioner Ross inquired about the expected amount of megawatts from the Huron Project and its comparison to the Pegasus Project. Mr. Peffley responded that the amount of megawatts was around 80 for both.

Commissioner's Long inquired about the projected operation date of the Pegasus project and Mr. Peffley responded that it would be late 2018.

Commissioner Price commented about the number of people in attendance at the 1st S.T.E.P. orientation meeting that was attended by himself, Commissioner Thomas, and Commissioner Zerkle. Mr. Peffley responded that an announcement was sent out on social media and about 200 people were in attendance. Commissioner Price suggested expanding the program in the future due to the demand.

COMMISSIONERS' REMARKS

Commissioner Nelson thanked the Board for the work they have done during his term and tendered his resignation with the reason being his appointment as the vice chairperson of the CACS and the unlikelihood of PA 95 being approved.

Commissioner Price and Zerkle thanked Commissioner Nelson for his service on the Board.

Commissioner Ross commended Commissioner Nelson for his perspectives in the energy and regulation area and his willingness to work through issues.

Motion by Commissioner Ross, Seconded by Commissioner Zerkle to accept, receive and place on File the resignation from Commissioner Bob Nelson.

Action: Motion Carried

MOTION OF EXCUSED ABSENCE

Excused Absence

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

Action: Motion Carried

PUBLIC COMMENTS

None

ADJOURNMENT

Chair Price adjourned the meeting at 6:05 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk 9- 29-17

Approved by the Board of Commissioners: 11-14-17

Official Minutes filed (electronically) with Lansing City Clerk: 11-17-17