



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

January 23, 2018

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, January 23, 2018.

Chairperson David Price called the meeting to order at 5:30 p.m.

Present: Commissioners David Price, Beth Graham, Dennis Louney, Anthony McCloud, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Douglas Jester (East Lansing), William Long (Delta Township) and Brian Ross (DeWitt Township).

Absent: None

The Corporate Secretary declared a quorum.

Commissioner Brian Ross led the Pledge of Allegiance.

Commissioner Price reported that Commissioner Rod Taylor, advisory board member representing DeWitt Township, submitted his recognition and requested a motion to officially accept his resignation.

Motion by Commissioner Mullen, Seconded by Commissioner Ken Ross, to accept the resignation of Rod Taylor.

Action: Motion Carried

Commissioner Price recognized and welcomed the new Commissioner, Brian Ross, representing DeWitt Township.

APPROVAL OF MINUTES

Motion by Commissioner Graham, Seconded by Commissioner Thomas, to approve the Regular Board Meeting minutes of November 14, 2017 and the Special Board Meeting minutes of December 5, 2017.

Action: Motion Carried

PUBLIC COMMENTS

James Clift, policy director of the Michigan Environmental Council, spoke regarding the proposed new power plant. He stated a view of a lack of transparency regarding the proposal of the new natural gas plant and would like a more thorough and transparent process that shows that the board has evaluated all reasonable alternatives before further expenditures are made on the plant. Mr. Clift stated that the power plant is

viewed as potentially extremely risky for the rate payers of the BWL. If major industrial payers leave the area, there will be a rate impact for the residential rate payers. Mr. Clift stated that the closing the coal capacity is supported but requested that a purchase power agreement be made for 2020-2025 while less risky energy efficiency programs and demand response reductions were utilized.

Steve Rall, Lansing resident, spoke and presented points arguing against the central power plant that will be built.

Anna Fisher, BWL customer and Lansing resident, spoke regarding not being able to put input into the building of the natural gas power plant and requested that less risky options and more current technologies be considered.

Rebecca Payne, south Lansing resident, who has installed solar panels on home stated that the solar panels are a good investment and suggested that the BWL invest in renewables rather than in a gas plant that will last only 30 years.

Marshall Klubow, BWL rate payer and co-founder of Mid-Michigan Energy Cooperative, spoke regarding having the technology to create electricity and store it, and requested that the decision for the power plant be postponed until the ecological impacts, financials, and renewables are discussed.

COMMUNICATIONS

Electronic Mail received From or Re:

- a. Letter of Resignation regarding Commissioner Rod Taylor of DeWitt - *Referred to Management. Received and Placed on File*
- b. Suellen Hozman regarding Tree Trimming - *Referred to Management. Received and Placed on File*
- c. Thank you card from BWL Internal Auditor Phil Perkins - *Referred to Management. Received and Placed on File*

Commissioner Mullen presented the Committee of the Whole Report:

COMMITTEE OF THE WHOLE Meeting Minutes January 9, 2018

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, January 9, 2018.

Committee of the Whole Chair Tony Mullen called the meeting to order at 5:30 pm and asked the Corporate Secretary to call the roll.

Present: Commissioners Tony Mullen, Beth Graham, Dennis M. Louney, Anthony McCloud, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle and Non-Voting Members: William Long (Delta Township) and Doug Jester (East Lansing).

Absent: Rod Taylor (DeWitt Township)

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Thomas, **Seconded** by Commissioner Ross, to approve the Committee of the Whole meeting minutes of September 12, 2017.

Action: Motion Carried.

IT Strategic Initiatives

General Manager Dick Peffley introduced Kim Ingram, Chief Information Officer (CIO), who spoke about the IT Strategic Initiatives Plan. Ms. Ingram stated that the IT goals and initiatives were aligned with the BWL Strategic Plan and she highlighted the completed goals of 2017 and the goals for 2018.

Strategy 4: Implement New Technologies		
Goal: Support our Customers and Employees through Enhanced Use of Technology		
	■ On Track	■ Caution
	■ Late	■ Complete
Objective 1: Support Existing and Planned Projects with IT Infrastructure		
Task 4.1a	Timeline	Milestones
Update the Information Technology Strategic Plan to coordinate with both industry best practices and planned BWL strategic and capital initiatives	2017	Finalize IT Corporate Strategic Plan -Conduct ITD Strategic Plan Roadshow.
	2018	VDI rebuilt, Corporate data centers with full backup and redundant capability and increased ability for security. Cybersecurity efforts completed for ITD Incident Response Plan.
	2019	Center of Excellence established, CMMI Assessment conducted.
	2020	IT Governance defined and in place.
Strategic Task Owner: ITD / Kim Ingram		
Task 4.1b	Timeline	Milestones
Select and maintain reliable, well supported, redundant, secure, cost-effective, and efficient IT systems and communication networks	2017	Conduct High Level ITD assessment and Deep Dive Assessment.
	2018	Define, approve technical infrastructure solution. Procure & Build infrastructure. Ensure continued enhancements to security through various alerts, tools, and monitoring.
	2019	Test infrastructure, migrate to new infrastructure. Ensure continued enhancements to security through various alerts, tools, and monitoring.
	2020	IT Corporate infrastructure stood up and operational as reliable, secure, aligned to industry standards. Continue to apply Cybersecurity protocols based on best in class industry protection trends.
Strategic Task Owner: ITD / Kim Ingram		
Task 4.1c	Timeline	Milestones
Apply business process management methodologies to create and measure business value throughout the life cycle of each technology system implementation	2017	Finalize IT Corporate Strategic Plan - create ITD Project intake form, define intake form process, communicate, execute process. The intake forms will be reviewed by the ETT.
	2018	Plan and define PMO processes aligned to industry standard requirements definition to support the ETT efforts.
	2019	Execute projects with industry standard PMO Methodology aligned to Plan, Define, Execute, Control & Monitor, Close cycles; which will further support ETT insight and awareness of project status.
	2020	Enhance industry standard methodology to align to current state PMO Methodology Trends. Continue to incorporate Cybersecurity rigor.
Strategic Task Owner: ITD / Kim Ingram		
Objective 2: Enhance IT and Communications Technology		
Task 4.2a	Timeline	Milestones
Identify, prioritize, acquire, and implement technology enhancements to support business needs	2017	Solicit and acquire PMO resources through staff augmentation. Deep Dive recommendations documented.
	2018	Establish Formal ITD PMO/Center of Excellence. Socialize IT/OT variance & similarities. Deep Dive outcomes vetted for technical solution, hardware, licenses, software, peripheral components procured.
	2019	ITD corporate infrastructure secure, reliable, flexible. PMO established. Continuous ongoing cybersecurity efforts will continue based on best in class industry standard tools and options.
	2020	Solid state infrastructure, IT Governance adherence. Continue to apply Cybersecurity protocols based on best in class industry protection trends.
Strategic Task Owner: ITD / Kim Ingram		
Task 4.2b	Timeline	Milestones
Continuously research and compare current best practices as well as state-of-the-art technologies being tested and deployed by best-in-class organizations	2017	Subscribed to Gartner for IT current and Best in Class technologies
	2018	Continue enhancements to security, research pilot and test future state industry standard trends.
	2019	Continuous research to ensure industry standard alignment to corporate infrastructure.
	2020	Attain CMMI level, continuously improve to reach CMMI Level 2, aligned to BWL Corporate Governance.
Strategic Task Owner: ITD / Kim Ingram		
Task 4.2c	Timeline	Milestones
Identify the necessary experience, skills, and education needed for management and use of new technologies	2017	Formalized future state ITD organizational structure, finalized professional development plans and staffing needs
	2018	Continue skill enhancement through various professional development platforms
	2019	Continue security awareness training sessions
	2020	Ongoing PD to support industry trends in technology
Strategic Task Owner: ITD / Kim Ingram		

IT Corporate Strategic Plan – Goals for 2017

- **4.1 Support existing & planned projects with IT Infrastructure**
 - Completed IT High Level Assessment
 - Completed IT Deep Dive on Infrastructure & Architecture
 - Completed the IT Strategic Plan
 - Completed IT Strategic Plan Roadshows throughout all departments within BWL.
 - IT / OT Network Separation.
- **4.2 Enhance IT & Communications Technology**
 - Completed the IT Organization restructuring.
 - Completed Professional Development Plans for all IT Resources.



IT Corporate Strategic Plan – Goals for 2018

• 4.1 Support Existing & Planned Projects with IT Infrastructure

- We are designing a new data center utilizing a Cisco ACI solution.
- This new infrastructure gives us the ability to scale on multiple platforms, have more security in our environment, and support the future needs of existing, planned and future projects.
- We are replacing VDI devices with laptops, further enhancing our ability to have a more mobile workforce.
- We are underway with our Project Management Office (PMO).
- We have enhanced our Enterprise Technology Team (ETT) Charter and its been approved and adopted.
- In alignment, we are continuously rolling out Project Management Tools as not only a part of our IT Governance Audit, but also as a part of the PMO Development and preparation for CMMI Initiative. CMMI will provide standards, procedures and PM process that will support our IT Governance Model.

• 4.2 Enhance IT & Communications Technology

- We've established a PMO that will morph in to a PMO Center of Excellence.
- We continue to enhance our security both internally and externally to our perimeter.
- We stay abreast of current IT trends, best practices, and industry standards through Gartner.
- We continue to invest in our IT resources through enhanced, professional development opportunities, the ability to attain certifications, and develop new skills aligned to industry standards and best practices.



Chair Price questioned the number of malicious hits, potential malware, viruses, etc. that are received per day. CIO Ingram responded that security tools have been put in place, internally and externally, and that an excess of 1,000 hits could occur daily.

Closed Session Meeting

Committee of the Whole Chair Mullen stated that the Administration has provided us with a Confidential Memorandum and discussion of such content is most appropriate in closed session. Chair Mullen asked for a motion to go into closed session for the purpose of discussing the Confidential Memo as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(y).

Motion by Commissioner Price, Seconded by Commissioner McCloud to go into closed session.

Action: Motion Carried.

Roll Call Vote:

Yeas: Commissioners Beth Graham, Dennis M. Louney, Anthony McCloud, Tony Mullen, David Price, Ken Ross and Tracy Thomas, Sandra Zerkle, and Non-Voting Members: Bill Long (Delta Township) and Douglas Jester (East Lansing).

Nays: None.

Action: Motion Carried.

The Committee of the Whole went into closed session at 5:42 p.m.

The Committee of the Whole reconvened to open session at 6:28 p.m.

Motion by Commissioner Graham, Seconded by Commissioner Ross to reconvene into open session.

Action: Motion Carried.

Central Substation and Westside Reinforcement Update

General Manager Peffley introduced Steve Brennan, Manager of Project Engineering. Mr. Brennan provided the Board with an update of the Westside Reinforcement and Central Substation projects. These two projects total approximately \$60 million, are part of the Lansing Energy Tomorrow plan, and must be completed in order to close the Eckert power plant. The Central Substation is necessary to remove load from the Eckert

substation prior to its closing and the Westside Reinforcement is necessary to maintain reliability and meet FERC and NERC reliability compliance requirements. The Westside Reinforcement involves modifying three existing substations and building eight miles of new 138 Kv transmission line. Mr. Brennan provided details on each project and indicated that both are on schedule and within budget.

Anti-Nepotism Policy Resolution

Michael Flowers, Human Resources Executive Director, reviewed the proposed changes to the Anti-Nepotism Policy.

Nepotism Policy

WHEREAS, ~~in order to~~ promote a diverse workforce, avoid even the appearance of favoritism in employment matters, and to assure that an employee's hire, transfer, or promotion is based solely on the employee's qualifications and performance, the Board of Water and Light (BWL) is altering and clarifying its policy on nepotism.

RESOLVED, ~~That~~ as of January 30, 2004, the BWL will not hire, transfer, or promote an employee to work in any Responsibility Area (RA) that reports to a Manager or Director or through a Manager to a Director where the Manager and/or Director is a family member of the employee. Additionally, no employee will be placed in a position in which he or she reports directly to a family member. ~~Following the effective date of this policy, no family member of a Commissioner, Board Appointee, Senior Vice President, or Director shall be hired by the BWL.~~

~~FURTHER RESOLVED, That for purposes of this policy, family member shall be defined as spouse, child, parent, step parent, sibling, step sibling, adopted child, step child, foster child, grandchild, grandparent, great grandparent, in law, aunt, uncle, or any cousin.~~

FURTHER RESOLVED, ~~That~~ exceptions to this Policy may be permitted for reasons related to exigent needs of the BWL.

FURTHER RESOLVED, That the General Manager shall establish procedures consistent with this policy and shall be responsible for their implementation and compliance.

~~(Approved by Board 1/29/04 - Res. 2004-01-03)~~

GM Peffley stated that he has always had the right to waive the policy, but supports the recommended modifications.

After a brief discussion regarding why the modifications were recommended the following motion was offered.

Motion by Commissioner Price, **Seconded** by Commissioner McCloud to forward the Anti-Nepotism Policy Resolution with the proposed edits to the Board for consideration.

Action: Motion Carried

Unmanned Aerial Vehicle Storm Restoration Update

GM Peffley informed the Committee that the BWL purchased a drone and it is already paying big dividends for the BWL. He presented slides depicting the use of the drone to find hot spots on faulty wiring, transformer problems, and line feeds. An infrared camera on the drone helps to identify future failures.



There was some discussion regarding the capabilities of the drone. General Manager Peffley informed the Committee the drone is operated from a BWL truck that is set in a specific location and kept in line of sight. The discussion also touched upon the possibility of mobile mapping and data retention regarding circuit location and replacement. General Manager Peffley stated that exploration of such technology is being explored as well as the use of drones to find leaks during boiler inspections.

MIOSHA Update

A complaint was submitted to the Michigan Occupational Safety and Health Administration (MIOSHA) regarding the possibility of an explosion due to a faulty boiler. General Manager Peffley explained that more than likely it was not an explosion but a hunk of ash that fell and made a loud sound. He informed the Committee that when MIOSHA gets involved, a fine is usually assessed. It is worth mentioning that the BWL submitted documentation regarding the matter and there were no wrong findings.

Commissioner Louney thanked GM Peffley for providing the MIOSHA information to the Commissioners and for clarifying the difference between a violation and a warning.

GM Peffley also stated that the BWL is going for a high rating from MIOSHA that only Consumers Energy has and it requires very detailed inspections of the facilities. It takes a year to get the certification and only a handful of plants have them.

Mutual Aid Assistance

GM Peffley thanked the employees for the work that they did in Florida after the recent hurricane. He said the work that was done was well organized.

Other

GM Peffley provided the Commissioners with a copy of the Focus magazine in which the BWL was named as a catalyst to redeveloping the REO town area.

Commissioner Mullen spoke about the number of questions and requests that are being submitted to the three appointed employees by members of the Board of Commissioners. He suggested that questions be tapered down and that some be submitted for agenda topics at various committee meetings.

Adjourn

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

Meeting adjourned at 7:02 p.m.

Respectfully Submitted
Tony Mullen, Chair
Committee of the Whole

Commissioner Ken Ross presented the Finance Committee Report:

FINANCE COMMITTEE Meeting Minutes January 9, 2018

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, on Tuesday, January 9, 2018.

Finance Committee Chair Ken Ross called the meeting to order at 7:05 pm and asked that roll be taken.

Present: Commissioners Ken Ross, Beth Graham, Dennis Louney, and David Price. Also present: Commissioners Anthony McCloud, Anthony Mullen, Tracy Thomas, and Sandra Zerkle, and Non-Voting Commissioners Bill Long (Delta Township), and Douglas Jester (East Lansing).

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

Cathy Welch stated her concern regarding the tree trimming process that is taking place in her neighborhood, the city, and elsewhere. She stated that she has learned that no research was done regarding the impact on the environment, wildlife, or economically and requested that tree trimming come to a halt until research has been done on the mentioned areas.

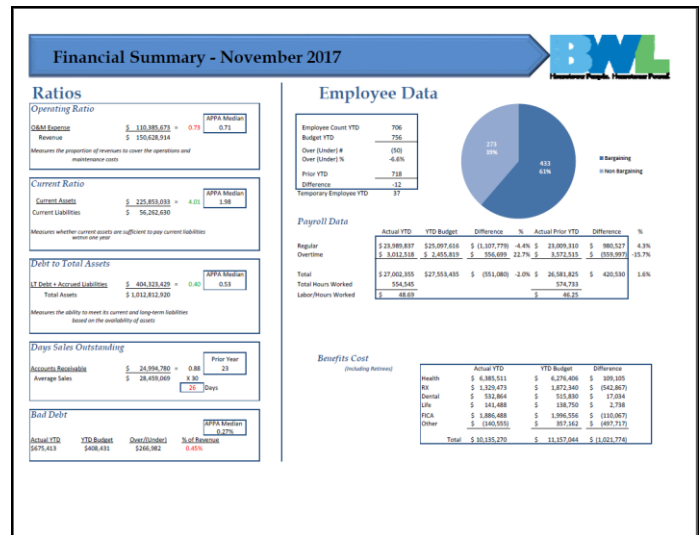
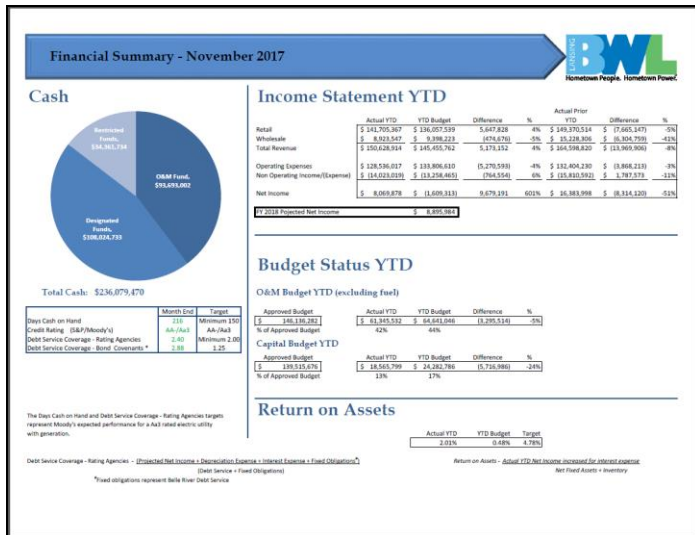
Approval of Minutes

Motion by Commissioner Price, **Seconded** by Commissioner Louney, to approve the Finance Committee meeting minutes of November 7, 2017.

Action: Motion Carried.

November YTD Financial Summary

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



Cash balance and metrics remain green and continue to be on track. The Income Statement indicates that the total revenue through November actual is just over \$150 million compared to budget of \$145 million. Through the first five months of the fiscal year, BWL is 5.1% over budget. Wholesale is slightly down primarily due to an extended outage at Belle River plant. Operating expenses continue to trend down and actual spend is about 2%. O & M spending will be tracking closer to budget in December and through the end of the year. Net income for the fiscal year is anticipated to be just under \$9 million. Quarterly reviews are coming up and the mid-year review meetings, which are a good indicator of whether the projection needs to be adjusted, are scheduled to begin on January 29 with management. Any adjustments made in February will be noted in the March Finance Committee meeting. Capital spending is tracking slightly under budget based on cash flow but projections are to still spend the capital budget of around \$60 million. BWL has started the fiscal 2019 O&M and Capital budget and Finance will be working with management over the next several months.

Two of the five ratios are being met. The Operating ratio is slightly variant from the median because net income loss was projected but there was net income. Employee data hasn't changed from October. There are still vacancies to fill and temporary or contract employees are being utilized. Benefit costs are on track. About \$400,000 of the \$1 million under budget is due to a stop loss recovery that was received and credit was taken in the month the recovery was received.

There were inquiries from:

Commissioner Thomas inquired about the number of temporary and permanent employees.

Ms. Shawa responded that BWL has 37 temporary employees and that in the IT department there is a staff augmentation contract and those employees are not included in the count. If they are included, BWL is closer to or at budget. GM Peffley added that BWL is attempting to hold jobs open for employees at the Eckert plant and that HR continues working with Operations to attempt to find work for those employees when the plant closes.

Commissioner Zerkle inquired about the percentage of employees that will be retrained.

Ms. Shawa responded that a rough estimate is one-third of the employees. GM Peffley added that BWL is getting closer to the implementation of Smart meters and the positions of the employees that do the reads, turn ons and turn offs will be changing.

Commissioner Mullen inquired whether the implementation of the Smart meters (customer portal) would wait until they were all installed which would be in three to five years or would the portal be available as meters are installed.

Ms. Shawa responded that was correct, it would be available only upon full implementation.

Internal Audit Open Management Response Quarterly Report

Chief Financial Officer Heather Shawa stated that the report has not been updated due to the holidays, however Commissioner should be getting an update by email before the end of the week. Ms. Shawa stated that there was one new recommendation based on the internal audit which was completed: follow-up of the hiring audit performed last year. The recommendation was to establish a timing goal in filling open positions, tracking progress using the weekly record log which HR produces and then consideration to add a departmental metric such as a departmental scorecard. Human resources management is working on the recommendation and is looking to immediately working with the departments to better define the timing goal for each open position. HR will also consider adding a departmental metric by June 30, 2018.

Notice of Intent to Issue Revenue Bonds Resolution

Ms. Shawa presented the Notice of Intent to Issue Revenue Bonds resolution which is the first formal step in the bond issuance process. This resolution authorizes the BWL to publish the notice of intent for new money revenue bonds. This is not required for refunding, which is what was brought forth last winter. This resolution also establishes the intent to reimburse the BWL for project costs incurred prior to the issuance of the new bonds. For example, long lead items such as the gas turbines will need to be procured prior to issuance to secure them using cash on hand. Once the bonds are issued, BWL will reimburse itself with the bond proceed. After approval of this resolution and publication of the related notice, which is required to be up for 45 days, the next step will be approval of the bond authorizing resolution which will be in the March Finance agenda. Once the resolution is in place in March, BWL will secure initial funding structured as a bond anticipation note. This will provide the necessary funding to get the project started which is primarily the new plant. The next step will be to begin preparing for the revenue bond issuance which currently is planned to take place in November of 2018. This resolution also allows BWL to cover investment in the T&D buildout, part of our Lansing Energy Tomorrow initiative, with any excess proceeds. This will also allow BWL to maintain its strong cash metrics and not have to pull from designated capital funds.

Motion by Commissioner Price, Seconded by Commissioner Louney, to accept the Notice of Intent to Issue Revenue Bonds Resolution as presented.

Action: Motion Carried

Ms. Shawa introduced Bill Danhoff, BWL's bond counsel, to the Board. He and Brandie Ekren are assisting with the bond resolution.

Other

None

Adjourn

Commissioner Ross adjourned the meeting at 7:24 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

General Manager Peffley recommended that the Board approve the Notice of Intent to Issue Revenue Bonds Resolution before the Board that evening.

RESOLUTION 2018-01-01

Notice of Intent to Issue Revenue Bonds Resolution

Lansing Board of Water and Light

RESOLUTION AUTHORIZING NOTICE OF INTENT TO ISSUE REVENUE BONDS FOR A NATURAL GAS COMBINED CYCLE FACILITY AND SYSTEM IMPROVEMENTS

- Notice of Intent to Issue Revenue Bonds in an amount not-to-exceed \$500,000,000 to finance a natural gas combined cycle facility and system improvements

WHEREAS, the City of Lansing (the "City") provides in its City Charter that the Lansing Board of Water and Light (the "Board") has general management over water, heat, steam and electric services and certain additional utility services of the City, and the Board operates facilities for the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat, including all plants, works, instrumentalities and properties used or useful in connection with the supply and distribution of water and the generation and distribution of electricity, steam, chilled water, and heat (the "System"); and

WHEREAS, the Revenue Bond Act, Act 94, Public Acts of Michigan, 1933, as amended ("Act 94") permits the Board to issue revenue bonds payable solely from the net revenues derived from the operation of the System (the "Revenue Bonds") in order to finance plants, works, instrumentalities, and properties used or useful in connection with utility systems such as the System; and

WHEREAS, the Board has determined that it is necessary for the public health, safety and welfare of the City and the users of the System to acquire and construct a natural gas combined cycle facility to produce electricity, including all equipment and any appurtenances and attachments thereto and any related site acquisition or improvements, and the construction, improvement, and renovation of transmission and distribution infrastructure (collectively, the "Project") at a total estimated cost of Four Hundred Thirty-Five Million Dollars (\$435,000,000); and

WHEREAS, the Board has determined that it is necessary for the public health, safety and welfare of the City to acquire and construct System Improvements including, but not limited to, construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements (collectively, the "System Improvements") at a total estimated cost of Sixty-Five Million Dollars (\$65,000,000); and

WHEREAS, issuance of revenue bonds as permitted by Act 94 in an amount not-to-exceed Five Hundred Million Dollars (\$500,000,000) (the "Revenue Bonds") appears to be the most practical means to finance the Project and the System Improvements; and

WHEREAS, a notice of intent to issue revenue bonds must be published before the issuance of the Revenue Bonds in order to comply with the requirements of Section 33 of Act 94; and

WHEREAS, the Internal Revenue Service has issued Treasury Regulation § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended, governing proceeds of debt used for reimbursement, pursuant to which the Board must declare official intent to reimburse expenditures with proceeds of such debt before making the expenditures.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. Publication of Notice of Intent. The Board shall publish a notice of intent to issue the Revenue Bonds once as a display advertisement at least one-quarter (1/4) page in size in substantially the following form:

NOTICE TO ELECTORS OF THE CITY OF LANSING
OF INTENT TO ISSUE REVENUE BONDS FOR A
NATURAL GAS COMBINED CYCLE FACILITY
AND SYSTEM IMPROVEMENTS
AND RIGHT TO PETITION FOR REFERENDUM

PLEASE TAKE NOTICE that the Lansing Board of Water and Light intends to authorize the issuance and sale of Revenue Bonds pursuant to Act 94, Public Acts of Michigan, 1933, as amended, payable solely from revenues received by the Board from the operations of the Water Supply, Steam, Chilled Water and Electric Utility System (the "System"). The Revenue Bonds would be authorized in the maximum aggregate principal amount of not-to-exceed Five Hundred Million Dollars (\$500,000,000). A portion of the proceeds in an amount currently estimated to be \$435,000,000 would be issued for the purpose of paying costs to acquire and construct a natural gas combined cycle facility to produce electricity, including all equipment and any appurtenances and attachments thereto and any related site acquisition or improvements, and the construction, improvement, and renovation of transmission and distribution infrastructure. A portion of the proceeds in an amount currently estimated to be \$65,000,000 would be issued for the purpose of paying costs of System improvements including, but not limited to, construction, improvement, and renovation of transmission and distribution lines and related utility system facilities for the water supply, steam, and chilled water systems and electric transmission and distribution lines and related electric utility system facilities, together with any appurtenances and attachments thereto and any related site acquisition or improvements. Costs financed with proceeds of the Revenue Bonds shall include funding of required bond reserve funds, capitalized interest and costs of issuance.

SOURCE OF PAYMENT OF REVENUE BONDS

THE PRINCIPAL OF AND INTEREST ON THE REVENUE BONDS SHALL BE PAYABLE solely from the net revenues received by the Board from the operations of the System. The revenues will consist of rates, fees and charges billed to the users of the System, a schedule of which is presently on file at www.lbwl.com. The rates, fees, and charges may from time to time be revised to provide sufficient net revenues to provide for the expenses of operating and maintaining the System, to pay the principal of and interest on the Revenue Bonds and any other bonds of the System, and to pay other obligations of the System. **The Revenue Bonds will not pledge the full faith and credit of the City. The Revenue Bonds will not be a general obligation of the City.**

The Revenue Bonds may be issued in one or more series and may be combined with bonds issued for other purposes, and each series will mature in not to exceed thirty (30) annual installments with interest at such interest rate or rates to be determined at public or negotiated sale but in no event to exceed such rates as may be permitted by law.

RIGHT OF REFERENDUM

THE REVENUE BONDS WILL BE ISSUED WITHOUT VOTE OF THE ELECTORS UNLESS A VALID PETITION REQUESTING AN ELECTION ON THE QUESTION OF ISSUING THE REVENUE BONDS, SIGNED BY NOT LESS THAN 10% OF THE REGISTERED ELECTORS OF THE CITY, IS FILED WITH THE CITY CLERK OF THE CITY OF LANSING WITHIN FORTY-FIVE (45) DAYS AFTER THE DATE OF PUBLICATION OF THIS NOTICE. If a valid petition is filed, the Revenue Bonds cannot be issued unless approved by a majority vote of the electors of the City voting on the question of their issuance. This notice is given pursuant to the requirements of Section 33 of Act 94, Public Acts of Michigan, 1933, as amended.

ADDITIONAL INFORMATION may be obtained at the administrative offices of the Lansing Board of Water and Light, 1201 S. Washington Ave., Lansing, Michigan 48910.

M. Denise Griffin, Corporate Secretary
Lansing Board of Water and Light

2. Sufficiency of Notice. The Corporate Secretary is hereby directed to publish the notice of intent in *The Lansing State Journal*, a newspaper of general circulation in the City qualified under State law to publish legal notices, which is hereby determined to be the newspaper that will reach the largest number of persons to whom the notice is directed. The Board hereby determines that the notice of intent and the manner of publication directed is the method best calculated to give notice to the electors of the City and the users of the System of the Board's intent to issue the Revenue Bonds, the purposes of the Revenue Bonds, the source of payment of the Revenue Bonds, and the right of referendum relating thereto.

3. Statement of Intent under Treas. Reg. § 1.150-2. The Board hereby makes the following declaration of intent for the purpose of complying with the reimbursement rules of Treas. Reg. § 1.150-2 pursuant to the Internal Revenue Code of 1986, as amended:

(1) The Board reasonably expects to reimburse itself for the expenditures described in (2) below with proceeds of debt to be incurred by the Board.

(2) The expenditures described in this paragraph (2) are to pay certain costs associated with the Project and the System Improvements which were or will be paid subsequent to sixty (60) days prior to the date hereof or which will be paid prior to the issuance of the debt from the funds of the System.

(3) As of the date hereof, the maximum principal amount of debt expected to be issued for reimbursement purposes, including reimbursement of debt issuance costs, is \$500,000,000, which debt may be issued in one or more series and/or together with debt for other purposes.

(4) A reimbursement allocation of the expenditures described in paragraph (2) above with the proceeds of the borrowing described herein will occur not later than 18 months after the later of (i) the date on which the expenditure is paid, or (ii) the date the Project and the System Improvements are placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid. A reimbursement allocation is an allocation in writing that evidences the Board's use of the proceeds of the debt to be issued for the Project and the System Improvements to reimburse the Board for a capital expenditure made pursuant to this Resolution.

(5) The expenditures for the Project and the System Improvements are "capital expenditures" as defined in Treas. Reg. § 1.150-1(b), which are any costs of a type which are properly chargeable to a capital account (or would be so chargeable with a proper election or with the application of the definition of "placed in service" under Treas. Reg. § 1.150-2(c)) under general Federal income tax principles (as determined at the time the expenditure is paid).

(6) No proceeds of the borrowing paid to the Board in reimbursement pursuant to this Resolution will be used in a manner described in Treas. Reg. § 1.150-2(h) with respect to abusive uses of such proceeds, including, but not limited to, using funds corresponding to the proceeds of the borrowing in a manner that results in the creation of replacement proceeds (within Treas. Reg. § 1.148-1) within one year of the reimbursement allocation described in paragraph (4) above.

4. Financial Advisor. The Board hereby requests that Public Financial Management, LLC continue to serve the Board as Financial Advisor for the Revenue Bonds, including any bond anticipation notes which the Board might authorize in a future resolution.

5. Bond Counsel. The Board hereby requests that Miller, Canfield, Paddock and Stone, P.L.C., Lansing, Michigan, continue to serve the Board as bond counsel for the Revenue Bonds, including any bond anticipation notes which the Board might authorize in a future resolution. The Board acknowledges that Miller, Canfield, Paddock and Stone, P.L.C. has represented from time to time, and currently represents various underwriters, financial institutions, and other potential participants in the bond financing process, in matters not related to the issuance and sale of the Revenue Bonds.

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

I hereby certify that the foregoing is a true and complete copy of a resolution duly adopted by the Board of Commissioners of the Lansing Board of Water and Light, at a Regular meeting held on Tuesday, January 23, 2018, at 5:30 p.m., Eastern Time, and that said meeting was conducted and public notice of said meeting was given pursuant to and in full compliance with the Open Meetings Act, being Act 267, Public Acts of Michigan, 1976, and that the minutes of said meeting were kept and will be or have been made available as required by said Act 267.

I further certify that the following Members were present at said meeting: _____
_____ and that the following Members were absent:
_____.

I further certify that Member _____ moved for adoption of said resolution and that Member _____ supported said motion.

I further certify that the following Members voted for adoption of said resolution: _____
_____ and that the following Members voted against adoption of said resolution:
_____.

Corporate Secretary

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Motion by Commissioner Zerkle, Seconded by Commissioner Mullen, to approve the Notice of Intent to Issue Revenue Bonds Resolution.

Discussion/Comments: Commissioner Ross took the opportunity to provide the Board with an overview of the open and transparent process taken by the BWL in the Lansing Energy Tomorrow initiative and the update to the BWL strategic plan over the last two and a half years. He outlined:

“Starting back on August 13, 2015, the BWL was interviewed by Michigan Radio, and announced that the Eckert plant would close in 4 years—this has been a public goal for this organization for several years. On September 18, 2015, the BWL issue a press release seeking 2 community volunteers to serve on the Citizens Advisory Committee (CAC), a 9-member, citizen group charged with assessing the BWL’s long term energy needs in the face of the eventual decommissioning of both the Erickson and Eckert coal burning plant. The CAC was to hold a series of public meetings, work with public energy experts at Public Sector Consultants, and engage the public on identifying the right future power generation and energy efficiency mix, examining natural gas, renewables, and energy efficiency. The culmination of this study, public engagement and self-assessment process would be the issuance of an Integrated Resource Plan (IRP) which would be used as a guide for the BWL over the next several years as we transition away from coal to a different mix of power generation.

The CAC met on October 1, 2015 at LCC in Lansing, assessing the overall electric needs of the region, and on October 13, 2015 the website launch of “Lansing Energy Tomorrow” was publicly announced, which served as a public information space on the initiative, cataloging meeting materials, meeting descriptions and audio recordings of each meeting for public consumption. The BWL citizen group went to key communities in our service area to solicit input and engagement from a broad spectrum of citizens, and CAC meeting 2 was held at Hannah Community Center in East Lansing with the topic of “forecasting and resource needs”. Meeting 3 was held on November 12, 2015 at Gier Community Center and the topic for discussion was “resource alternatives – looking at conventional generation”. The 4th meeting examined “resource alternatives – renewable options & energy efficiency and was held at Fenner nature center on December 9, 2015. The 5th meeting was held on January 13, 2016, where they looked at “managing future risks—scenarios and sensitivities,” meeting at the LCC West Campus.

On January 14, 2016 the BWL released public opinion poll results from a poll run by Epic MRA polling firm. They had surveyed 400 residents and 300 business owners and found that most favor balanced energy mix – prioritizing affordability and reliability. This research was discussed at the CAC and BWL committee meetings and incorporated as one of the data streams that the CAC considered in the IRP development process. Meeting 6 of the CAC was held on February 3, 2016 at the LCC West Campus and focused on “managing future risks—scenarios and sensitivities.”

The CAC released the IRP report, on May 10, 2016, which calling for a balanced plan for our energy future. The report was issued publicly and accepted by the BWL Board of Commissioners for review and integration into our strategic plan, which had not been updated since 2008. On August 16, 2016 the BWL COW met and had an open public discussion on the “Proposed Strategic Plan update” during which the IRP report and recommendations were discussed in detail and management was provided with numerous ways in which our strategic plan should be updated to meet the IRP suggestions. The energy portfolio mix recommended in the IRP was also discussed at length at the public meeting and adopted by the Commissioners (natural gas as a bridge away from coal with dramatically increasing renewables—primarily wind and solar—along with a constant focus on energy efficiency improvements). The amended and updated strategic plan was passed out of the COW after much discussion on September 13, 2016 and the Board approved and adopted it at the September 27, 2016 public meeting.

The public process used by the BWL during the Lansing Energy Tomorrow initiative, and by the BWL Board in updating its strategic plan was designed to solicit public engagement and many stakeholders participated, including labor, environmental interests, citizens, and commercial ratepayers. While no process is perfect, the BWL tried its best to be thorough and inclusive throughout, making sure that elected officials and community leaders were aware of the discussions and given an opportunity to provide input, which many did do at every stage.

Now we hear some complaining tonight that “we took too long”; “that our method of analysis and public engagement was based on dated information”; “the public didn’t want a balanced approach to our energy future—they want all renewables”; and “we should avoid building a new plant altogether, just buy energy on the grid until we can go totally renewable in 2025 or after.” Well, I submit that each and every one of these issues was discussed by the CAC and the Board over the last three years and much of it was the subject of the public opinion poll and the CAC, the BWL and the

Lansing ratepayers disagree strongly—all opted for a balanced approach that put kept our energy destiny within our control. To those who complain that we moved too slow, I am sure we would have gone faster, you would have complained that we rushed the process with an end game in mind. What was most unfortunate is that they failed to engage with the CAC in 2015, and 2016 and failed to engage with the BWL Board in 2015, 2016 and 2017.

So, on December 18, 2017—after much work the BWL announced \$500mm natural gas plant and on January 9, 2018 the BWL Board Finance Committee held a public meeting in which it approved a notice of Intent to issue revenue bonds resolution, with a recommendation that the BWL approve it at the January 23, 2018 meeting. Contrary to the assertions by last-minute critics, the Notice of Intent to Issue Revenue Bonds resolution was not the beginning of the process—in fact it was the culmination of a long process with much public engagement.

Commissioner Ross stated that it took time to develop a well thought out plan which had the overall goal of eliminating reliance on coal, transitioning to natural gas which is better than coal, and while not perfect, certainly less evil than coal in the pollutants it generates, along with increasing renewables and improving energy efficiency. Commissioner Ross stated he felt this was a transparent process and that the CAC committee, IRP development, and Strategic Plan development process was all done in public meeting, where public input was welcomed and requested.”

Action: Motion Carried.

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

There was no New Business.

RESOLUTIONS/ACTION ITEMS

RESOLUTION 2018-01-02

Nepotism Policy

WHEREAS, in order to promote a diverse workforce, avoid even the appearance of favoritism in employment matters, and to assure that an employee’s hire, transfer, or promotion is based solely on the employee’s qualifications and performance, the Board of Water and Light (BWL) is altering and clarifying its policy on nepotism.

RESOLVED, That as of January 30, 2004, the BWL will not hire, transfer, or promote an employee to work in any Responsibility Area (RA) that reports to a Manager or Director or through a Manager to a Director where the Manager and/or Director is a family member of the employee. Additionally, no employee will be placed in a position in which he or she reports directly to a family member.

FURTHER RESOLVED, That exceptions to this Policy may be permitted for reasons related to exigent needs of the BWL.

FURTHER RESOLVED, That the General Manager shall establish procedures consistent with this policy and shall be responsible for their implementation and compliance.

(Approved by Board January 23, 2018- Res. 2018-01-02)

Motion by Commissioner Mullen, Seconded by Commissioner Graham, to approve the Nepotism Policy Resolution.

Action: Motion Carried.

MANAGER'S REMARKS

General Manager Peffley informed of the following:

1. The BWL proposed rate hike takes effect in February and it coincides with the 5% franchise fee in Delta Township.
2. Equipment bids for the new plant gas turbines are being returned and the pricing is as anticipated and Mr. Stojic's group is evaluating them.
3. Wind development in the thumb area received a special use permit and is expected to go commercial in December 2018. It is a 90 MW project and combined with the wind in Gratiot County it will provide 110 MW that will be online.
4. The GroSolar project in Delta is still on schedule to start delivering solar energy in the fall. It is the largest tracking solar development in the state of Michigan and it belongs to the Board of Water and Light's residents.
5. Harvest Park is the newest development customer and will be the second largest BWL customer with an annual revenue of \$10 million. Harvest Park is a pharmaceutical grade marijuana grower located in the Dimondale area. They broke ground two weeks ago on Phase 1 of the development.

COMMISSIONERS' REMARKS

Commissioner McCloud wished Internal Auditor Phil Perkins a happy birthday.

MOTION OF EXCUSED ABSENCE

None.

PUBLIC COMMENTS

James Clift, policy director of Michigan Environmental Council, commented on the BWL's strategic plan and IRP. He spoke about the cost as a percent increase for rate payers, exploring options of containing costs and risks, and price fluctuations.

Steve Rall, Lansing resident, suggested the use of smaller units of 20 MW rather than a 250 MW plant for when renewables are increased, or if businesses decide to go 100% renewable.

ADJOURNMENT

Chair Price adjourned the meeting at 6:06 p.m.