



**COMMITTEE OF THE WHOLE MEETING
AGENDA**

September 13, 2016

**5:30 P.M. – 1201 S. Washington Ave.
Lansing, MI - REO Town Depot
Board of Water & Light Headquarters**

Call to Order

Roll Call

Public Comments on Agenda Items

1. Committee of the Whole Meeting Minutes of 08/16/16.....**TAB 1**
2. Discussion of the Edits to the Proposed Strategic Plan.....**TAB 2**
3. Public Comment
4. Other

Adjourn

COMMITTEE OF THE WHOLE
Meeting Minutes
August 16, 2016

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 4:00 p.m. on Tuesday, August 16, 2016.

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

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

Absent: Commissioner Dennis M. Louney

Corporate Secretary declared a quorum.

Public Comments

Dave Errickson of the Sierra Club spoke about his organization's interest in assisting the Board of Water and Light achieve the best energy plan to attain 100% renewable energy by the year 2050 without building numerous natural gas plants. Mr. Errickson said that he believes the BWL can do better by increasing energy efficiency and renewables while relying less on natural gas.

Regina Strong of the Sierra Club requested that as the Board of Water and Light move forward with the finalization of the strategic plan, they be obligated to be the best utility by leading the way in innovation and forward thinking. Ms. Strong offered the assistance of the Sierra Club to help identify options to obtain those obligations.

Dawn Flemming, Lansing citizen, spoke in opposition of a natural gas facility due to the effects of fracturing (also known as fracking) and how it threatens important resources, specifically water.

Sarah Mulkoff, Michigan Environmental Counsel Energy Program Director, stated her concerns regarding the Strategic Plan and cautioned about the use of natural gas as well as the volatility of fossil fuel prices. Ms. Mulkoff discouraged rushing into natural gas development and encouraged the exploration of all energy efficient and renewable options to be considered.

Approval of Minutes

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

Action: Motion Carried

Closed Session Discussion (Attorney – Client Memo [MCL 15.268 (h); MCL 15.243 (g)])

Committee of the Whole Chair Mark Alley stated that the Administration has provided the Board of Commissioners with an Exempt Memorandum and discussion of the content of the Memorandum is most appropriate in closed session.

Committee of the Whole Chair Alley queried for a motion to go into closed session for the purpose of discussing the Exempt Memo, as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(g)?

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

Roll Call Vote:

Yeas: Commissioners Mark Alley, Stuart Goodrich (Delhi Township), Bill Long (Delta Township), Anthony McCloud, Tony Mullen, Bob Nelson (E. Lansing), David Price, Ken Ross, Tracy Thomas and Sandra Zerkle

Nays: None.

Action: **Motion Carried.**

The Committee of the Whole went into closed session at 4:12 p.m. and reconvened to open session at 5:09 p.m.

Presentation and Discussion of the Proposed Strategic Plan

General Manager Peffley introduced George Stojic, Executive Director of Strategic Planning, who presented and led the discussion of the proposed Strategic Plan.

Mr. Stojic stated that the draft being presented today is the beginning of the next phase of strategic planning and getting the BWL positioned to meet the future.

There are several important components or functions of the Strategic Plan:

- It sets priorities and goals for the Board for the next 4-6 years
- It communicates the Board's expectations with respect to their priorities and goals
- It aligns the staff, the Board and the stakeholders
- It has to be flexible enough to accommodate changes in the future

Mr. Stojic said this plan has goals and objectives and measures to track performances. This plan also embraces and assumes policy governance doctrines of ends and means; meaning the Board of Commissioners sets the policies and goals and communicates outcomes. The Board delegates to the General Manager the means by which we get there. Mr. Stojic said this is a working document, and he welcomes any questions or suggestions.

The proposed Strategic Plan was presented and explained by Staff and reviewed and discussed by Board members. The presentation and discussion followed the Plan layout, with the first topic being the proposed Mission statement.



BWL Strategic Plan 2016-2020



Agenda

- ❖ Strategic Plans
- ❖ Background & Process
- ❖ Challenges & Opportunities
- ❖ Mission Statement
- ❖ Value Statements
- ❖ Strategies, Goals & Objectives



Strategic Plans

- ❖ Strategic Plans are used to answer the following questions:
 - What is the purpose of the organization?
 - How should we accomplish the purpose?
 - Why do we do this?



Strategic Plans (cont.)

- ❖ Purpose:
 - People, businesses, and institutions of the Lansing Region
 - Electricity
 - Water
 - Steam
 - Wastewater
- ❖ How:
 - Continue to produce utility products and services locally and efficiently by adopting several strategic goals
- ❖ Why:
 - BWL was chartered by the citizens of Lansing to provide utility products and services in a manner consistent with best practices



Background & Process

- ❖ Preparing for the Strategic Plan
 - Summer 2015 meetings with community stakeholder groups
 - EPIC-MRA customer survey
 - 2008 BWL Strategic Plan
 - Reviewed strategic plans of other utilities
- ❖ Interviewed General Manager, Executive Staff, Union Leadership, and subject matter experts to:
 - Review the mission statement
 - Review the value statements
 - Conduct Strengths, Weaknesses, Opportunities, and Challenges (SWOC) assessment



Challenges & Opportunities

- ❖ Retirement of BWL Eckert Station
- ❖ Changing customer expectations
- ❖ Aging infrastructure
- ❖ Aging and evolving workforce
- ❖ Evolving environmental and regulatory requirements
- ❖ Achieving financial performance targets
- ❖ Water regionalization



Mission Statement

Current

The mission of the BWL is to provide safe, reliable, and affordable utility products and services. The BWL will plan for future growth, be responsible environmental stewards, and be active participants in the Lansing community's cultural and economic initiatives.

Revised

We are dedicated to producing and delivering safe, reliable, and affordable utility products and services to the City of Lansing and the Greater Lansing Region. Together, the BWL's Board, management, and employees are committed to a future of sustainable growth that enhances the overall well-being of BWL customers and the community.



Commissioner Zerkle stated her concerns about the wording of the revised mission statement and believes the wording “*be responsible environmental stewards*” should remain in the statement. She

also indicated that the Mission statement would be on the website and would not properly convey the Board's commitment to the environment as worded in the proposed Mission statement.

Commissioner Alley also noted the change in language and the lack of a connection between the environment and the mission statement.

Mr. Stojic explained the adoption of "sustainability" while encompassing environmental stewardship was intended to represent a broader commitment to the community, like the Live Green Lansing program. He also indicated that environmental stewardship or environmental commitment is included in the Values area of the plan, collectively with sustainability.

Commissioner Ross stated that he researched sustainability before coming to today's meeting. He said on the Environmental Protection Agency's (EPA) website they define sustainability as "activities that provide services to the community that are in harmony with the environment to provide for reasonable growth for future generations." Commissioner Ross said that explanation or definition satisfied him that sustainability does have an environmental component.

Commissioner Ross recommended replacing the City of Lansing with the Greater Lansing area, since the City is within and the BWL provides service to the Greater Lansing area. He indicated that the BWL should not focus only on producing services but that it may be less expensive to services more efficiently, which may be better represented by using "providing services" instead of "producing services".

Commissioner Mullen commented that he understood that the concept of sustainable growth enhances the overall well-being of the community not just the utility's bottom line and questioned whether the revised Mission statement conveys that commitment.

Commissioner Long stated that his previously written comments were intended to avoid any miss conception by indicating that the word provides allows for both producing and purchasing power, not just producing power. The BWL does both produce and purchase power.

Commissioner Zerkle stated in line with Commissioner Long's comments, she also wants to tell people that the BWL is producing power and not just buying and selling it to them at a higher rate and would like to leave the word "produce" in the Statement.

Board Chair Price stated that he thinks staff was very deliberate in using the word "produce" because the majority of the power that the BWL provides, it produces. In the future he believes that is a statement that should be made.

VALUE STATEMENTS

Exceptional Service

Current

❖ We are committed to providing superior service to our customer/owners and our community. To us, reliability is the most critical element of customer service.

Revised

❖ The BWL is dedicated to serving its customers and community by providing exemplary and reliable utility products and services.

Competitive Rates

Current

❖ Our rates must provide an advantage to our customer/owners and our community, commensurate with our public ownership.

Revised

❖ As a publicly owned utility, providing competitive and affordable rates to its customers is integral to the economic well-being of the Lansing region.



BWL Strategy Plan 2016-2020
 Committee of the Whole Discussion
 August 16, 2016



BWL Strategy Plan 2016-2020
 Committee of the Whole Discussion
 August 16, 2016



BWL Strategy Plan 2016-2020
 Committee of the Whole Discussion
 August 16, 2016

Safety

Current

❖ The safety of our employees and customers is paramount.

Revised

❖ The safety of its employees and customers is a priority.



BWL Strategy Plan 2016-2020
 Committee of the Whole Discussion
 August 16, 2016

11

An explanation and discussion of Values followed the Mission statement. Commissioner Ross commented that the difference for him was between paramount and priority and he assumes that on the spectrum of importance, there is no tangible difference between the words. Mr. Stojic agreed.

Community Commitment

Current

❖ We will strive to improve the quality of life in our community.

Revised

❖ The BWL is committed to active corporate citizenship that advances the community's economic and cultural well-being.



BWL Strategy Plan 2016-2020
 Committee of the Whole Discussion
 August 16, 2016

12

Integrity

Current

❖ We believe in interacting with all parties in an open, honest and fair manner.

Revised

❖ The BWL will instill community trust by conducting its business in a manner that is open, honest and fair.



BWL Strategy Plan 2016-2020
 Committee of the Whole Discussion
 August 16, 2016

13

Commissioner Price commented that the Integrity portion of the Mission Statement is stated much better in the revised statement because it really gets to what the BWL is all about and that the BWL is the fabric of the community.

Inclusion and Equity

<p>Current</p> <ul style="list-style-type: none"> ❖ We respect our employees as diverse individuals, and both expect and reward their excellent performance. 	<p>Revised</p> <ul style="list-style-type: none"> ❖ The BWL values and respects the individuality and diverse background of our customers and employees and considers these an asset to the BWL and the community.
--	--



Mr. Stojic read aloud Commissioner Long’s recommended language for the Inclusion and Equity section as follows, “The BWL values and respects the individuality and diversity of our customers and employees, considers these as assets to the BWL and the community and will strive to reflect that diversity in our Board and workplace.”

Commissioner Ross stated that he had a concern regarding the proposed language relating to Board members, since appointment to the Board is made by Mayor and City Council. He suggested that the “Board” section be left out.

After the discussion on Values, Mr. Stojic presented the proposed the Strategic Goals. He began with “Customer Experience”. Mr. Stojic indicated that customers are demanding more tailored service and should be provided with tools to manage their energy use. He indicated that new technology investments will drive these opportunities.

Ms. Shawa-DeCook described four major technology initiatives being undertaken by the BWL: Advanced Metering Infrastructure (AMI), Advanced Distribution Management System (ADMS), which incorporates Smartgrid initiatives with the Energy Management System (EMS), the Outage Management System (OMS) and the Geographic Information System (GIS). She also indicated that the projects will impact the workforce and that a flexible and adaptive workforce is needed as well the skillset to support the technology.

Environmental Stewardship

<p>Current</p> <ul style="list-style-type: none"> ❖ We will practice environmental stewardship by managing our resources for the benefit of future generations. 	<p>Revised</p> <ul style="list-style-type: none"> ❖ BWL practices and policies will demonstrate our commitment to a healthy and sustainable environment.
---	--

STRATEGIC GOALS

Strategic Goals

- ❖ Seven strategic goals were created from common themes that arose from both the interviews and SWOC analysis:
 1. Customer Experience
 2. Community Involvement
 3. Effectively Acquire and Manage Resources
 4. Implement New Technologies
 5. Workforce
 6. Financial Stability
 7. BWL Leadership



Customer Experience

❖ Goal: Enhance the customer experience

▪ Objectives:

1. Anticipate and meet customer expectations
2. Improve customer interactions and communication through phone, web or mobile device
3. Provide customer-focused rates



BWL Strategic Plan 2016-2020
Committee of the Whole Meeting
August 16, 2016

18

Commissioner Ross asked for some insight on the Board's role relating to the Strategic Goals.

According to Mr. Stojic, the Board has an important role in both adopting and monitoring management's progress in meeting the Strategic Goals. However, he indicated that there was no systematic or purposeful process by which the Board could monitor progress in meeting the 2008 goals. He proposed developing a process for the purpose of allowing the Board to monitor this Strategic Plan.

Commissioner Long suggested doing something at the Committee of the Whole meetings similar to how the Finance committee breaks down issues/topics by sections which would allow Commissioners to understand, review and monitor piece by piece if progress is being made or not being made in particular areas.

Executive Director of Communications Steve Serkaian stated that the BWL has a tradition of giving back to the community and believes this encompasses the BWL's involvement in home-grown programs like the Chili Cook-off and Silver Bells in the City. Mr. Serkaian said more importantly, the underpinning of this section is reflected in the BWL's value statement involving integrity. This section of the plan contains the BWL's willingness to engage the community, be a part of the community, and give back to the community when it is appropriate.

Effectively Acquire and Manage Resources

❖ Goal: Acquire and manage our assets in an efficient manner to ensure an adequate and reliable supply of utility services to the Lansing community

▪ Objectives:

1. Improve transmission and distribution reliability and flexibility
2. Fully integrate asset management principles for each utility
3. Maintain our status as a regional utility services provider



BWL Strategic Plan 2016-2020
Committee of the Whole Meeting
August 16, 2016

19

Mr. Stojic briefly described the challenges presented by the BWL's infrastructure program, which is shared by entities throughout Michigan and the United States from utilities to highways and airports.

Executive Director of Operations Dave Bolan described the Transmission and Distribution plan needed to retire the Eckert plant. Since the distribution facility at Eckert serves 1/3 of the BWL's load, the plan

includes 5 new substations and new transmission lines. The projects related to the first 5 years of the plan are necessary to maintain reliably standards.

Mr. Bolan described “Asset Management” as doing the right work at the right time. It is based on the ISO 5500 and the Department of Environmental Quality is requiring that water utilities bring this into their practice by 2018. Ultimately, Asset Management aligns the BWL’s activities and assets with the strategic plan and goals of this organization.

Mr. Stojic described the objective of replacing the Eckert plant with a balanced portfolio of resources including local generation, more renewable energy, energy efficiency programs, and a demand response program.

Commissioner Nelson questioned whether or not to include the Board of Water and Light’s objective to reach 40% renewables by 2030, 20% by 2020, or an approximate energy efficiency target or objective.

Mr. Stojic in response to Commissioner Nelson that renewables it is expected to be at 20% by 2020 and it is entirely possible that some of the project developers may not be able to bring some of their projects to fruition and it is possible that dates may not be met, so that flexibility was needed in the plan.

Commissioner Ross stated that he would like to see a greater commitment to enhancing energy efficiency, having a well-developed and diversified renewable energy portfolio, and seeing annual increases in clean energy.

In response, Mr. Stojic stated he believes that is possible to enhance energy efficiency as long as it is realized that there will be some years in which there will be more increases and some in which there will be less, due to the nature of these projects.

General Manager Peffley commented that he does not have a problem with putting the 40% in the Strategic Plan but hesitates to do so. He stated, “for example, we are going to construct a thousand panels in East Lansing’s solar garden and construction will begin after 700 panels are sold however that has not happened yet.” The purchase of panels has been much slower than anticipated and two renewable projects are taking much more time to develop than planned and wind energy is facing new regulations, all factors in Mr. Peffley’s hesitation of placing firm numbers in a 5 years plan.

Board Chair Price commented that he would be reluctant to say 40% by 2030. This is a 4 year plan and the biggest goal is the decommissioning of the Eckert and the replacement for Eckert. This way the BWL has flexibility in 2020 to look at what’s out there.

Commissioner Nelson stated that he is in agreement with Commissioner Ross, that it should be indicated that the BWL should do better every year and that way there is always a goal out there that is trying to be reached.

Commissioner Ross stated that his other suggestion for consideration is increasing energy efficiency because that would be a long term benefit.

Commissioner Ross commented that as he reads through the Strategic Plan and the objectives, most of the focus seems to be on electrical production, generation, and transmission. He indicated that everyone needs water and if anything ever happened to the water system, it would be heard about immediately and people would be in crisis mode pretty quickly. Commissioner Ross said that he would like to get a sense of the extent to which water is being called out enough in this plan, and if not is there work that needs to be done someplace else?

General Manager Peffley stated in response to Commissioner Ross's comments that he thinks the BWL is ahead of the curve on water and that is why there is a little less emphasis on it right now. Both of the BWL's water treatments plants, the Cedar-Dye plant at a 40 million gallon capacity and Wise Road at 10, were completely rebuilt in the last 7-8 years. They have a 30 year lift on them. He said that the company continues to put the capital expenditures in them to extend that life and keep them reliable, and is very comfortable with where the company is in the water area.

Mr. Stojic added to the dialogue that there is a component on water distribution in the plan as well as steam distribution. Mr. Stojic pointed out that there have been some additional customers on the chilled water side of the business so they will look into adding capacity as well.

Implement New Technologies

- ❖ Goal: Support our customers and employees through the enhanced use of technology
- Objectives:
 1. Support existing and planned projects with IT infrastructure
 2. Enhance IT and communications technology



Chief Financial Officer Heather Shawa-DeCook described the "Implement New Technologies" Goals. She identified two key objectives. The first goal is to support existing and planned projects with IT infrastructure including an update of the IT strategic plan. The second goal is to enhance IT and communications technology.

Workforce

- ❖ Goal: Maintain a strong and diverse workforce
 - Objectives:
 1. Attract and retain a diverse and highly skilled workforce
 2. Prepare for transformation of our workforce
 3. Provide more opportunities for a custom work experience that benefits both the employer and employee
 4. Pursue excellence by creating a work place environment that seeks to enhance current practices with the intention of adding value, making improvements, and increasing efficiency



BWL Strategic Plan 2016-2020
Committee of the Whole Meeting
August 16, 2016

22

Mr. Stojic indicated that there were a number of issues related to Workforce including recruiting and retaining new employees, transition of employees from Eckert to new positions, and loss of human capital through retirements.

Executive Director of Human Resources Michael Flowers stated that trying to attract and retain a diverse and highly skilled workforce and continuing to train and develop programs for employees is the goal. He described a comprehensive and diverse set of programs and measures to meet the Workforce goal

Commissioner Ross stated as he was looking through the Workforce section of the plan, he was looking for some kind of direct reference to the BWL's pipeline programs to bring people in and he found most of the focus to be in the objective of the existing employees. Commissioner Ross suggested that under Objective 1, number 1, it considers continued investment in training and development programs and should consider the use of "potential and existing employees" versus just "existing employees". He believes there should be a strong pipeline whether it is through LCC or wherever.

Financial Stability

- ❖ Goal: Maintain the financial stability of the BWL
 - Objective:
 1. Practice good financial stewardship



BWL Strategic Plan 2016-2020
Committee of the Whole Meeting
August 16, 2016

23

Mr. Stojic indicated that the BWL was undertaking a very aggressive infrastructure replacement program and that it would require funding.

Chief Financial Officer Shawa-DeCook stated that the BWL is faced with the challenge of keeping competitive during 5 years of heavy investment while also practicing good financial stewardship. She described preparation for developing a financial plan which includes a multi-year rate strategy that provides financing for the BWL's capital program. She indicated that the BWL was committed to reviewing and achieving its target rate of return to consistently support and maintain the infrastructure we currently have and will be investing in in the future.

BWL Leadership

- ◆ Goal: Continuous Improvement
 - Objectives:
 1. Increase organizational efficiency and strength
 2. Enhance organizational resiliency
 3. Reinforce safety practices
 4. Enhance the team culture
 5. Lead in renewable energy and energy efficiency
 6. Ensure regulatory compliance



100 Energy Plan 2014-2017
Committee of the Whole Meeting
August 16, 2016

11

Mr. Stojic discussed inclusion of the “BWL Leadership” goal and its objectives in the plan.

Commissioner Ross stated that one of the strengths at the BWL is a strong senior management team, particularly in the General Manager who has a long history with the utility, and has grown up within the company. He also indicated that it could be a weakness if something were to happen to him tomorrow, so he recommended a succession planning objective.

In response to Commissioner Ross’s point, General Manager Peffley stated that succession planning is something that is being worked on and that each one of the Executive Directors has worked to identify what individuals can step up at all rank levels. He said they are looking at who can move in if someone retires or moves on, especially unexpectedly, so the business can continue to run without a hitch.

Board Chair Price said that the Board just received the Strategic Plan last Wednesday and suggested that the Commissioners take it home and digest it and submit any suggestions, additions, and/or deletions to the Executive Staff. Once any amendments have been incorporated, and if agreeable by all, it could be considered as an agenda item at the next Committee of the Whole meeting.

Mr. Stojic stated that he would provide a redline version based on what he heard today.

Public Comment

David Errickson of the Sierra Club stated that he likes the fact that goals are being set. He also stated his interest in serving on an energy efficiency citizens’ advisory committee if there was one.

Other

General Manager Peffley thanked the staff for all of the hard work that went into the Strategic Plan. He said this is a very busy and exciting time at the BWL and it is currently exploring water regionalization, a complete rebuild of the electric system, and how to generate power for the future.

Excused Absence

Motion by Commissioner Price, Seconded by Commissioner McCloud, to excuse Commissioner Louney from tonight’s meeting.

Adjourn

Meeting adjourned at 7:22 p.m.

Respectfully Submitted
Mark Alley, Chair
Committee of the Whole



BWL STRATEGIC PLAN 2016-2020

DRAFT

Contents

OVERVIEW	3
Background	3
Mission Statement	3
Value Statements	4
Challenges & Opportunities	4
STRATEGIC GOALS	7
STRATEGY 1: CUSTOMER EXPERIENCE	7
Goal: Enhance the customer experience	7
Objective 1: Anticipate and meet customer expectations	7
Objective 2: Improve customer interactions and communications through phone, web, and mobile devices	7
Objective 3: Provide customer-focused rates	8
STRATEGY 2: COMMUNITY INVOLVEMENT	8
Goal: Enhance the well-being of our customers and community	8
Objective 1: Be a catalyst for economic and community development	8
Objective 2: Contribute to Lansing's social and cultural environment	8
STRATEGY 3: EFFECTIVELY ACQUIRE AND MANAGE RESOURCES	9
Goal: Acquire and manage BWL assets in an efficient manner to ensure an adequate and reliable supply of utility services to the Greater Lansing community	9
Objective 1: Improve transmission and distribution reliability and flexibility	9
Objective 2: Fully integrate asset management principles for each utility	9
Objective 3: Maintain BWL's status as a regional utility services provider	10
STRATEGY 4: IMPLEMENT NEW TECHNOLOGIES	10
Goal: Support our customers and employees through enhanced use of technology	10
Objective 1: Support existing and planned projects with IT infrastructure	10
Objective 2: Enhance IT and communications technology	11

STRATEGY 5: WORKFORCE..... 11

Goal: Maintain a strong and diverse workforce 11

- Objective 1: Attract and retain a diverse and highly skilled workforce.....11
- Objective 2: Prepare for transformation of our workforce11
- Objective 3: Provide more opportunities for a custom work experience that benefits both the employer and employee12
- Objective 4: Pursue excellence by creating a work place environment that seeks to enhance current practices with the intention of adding value, making improvements, and increasing efficiency.....12

STRATEGY 6: FINANCIAL STABILITY 12

Goal: Maintain the financial stability of the BWL..... 12

- Objective 1: Practice good financial stewardship.....12

STRATEGY 7: BWL LEADERSHIP 13

Goal: Continuous improvement..... 13

- Objective 1: Increase organizational efficiency and strength13
- Objective 2: Enhance organizational resiliency13
- Objective 3: Reinforce safety practices.....13
- Objective 4: Enhance the team culture13
- Objective 5: Lead in Clean-Energy and Demand Response.....14
- Objective 6: Ensure Regulatory Compliance14
- Objective 7: Develop New Leaders14

Overview

Background

Nearly all utilities across the country, including the Lansing Board of Water & Light (BWL), face significant change over the next five years. The BWL General Manager and Board of Commissioners, working with BWL staff, have prepared an updated BWL Strategic Plan as a high-level tool, providing a “road map” of strategic goals and objectives to meet these changes while supporting the BWL Mission and Values.

To develop this Strategic Plan, BWL staff interviewed BWL executive and senior staff, union leadership (IBEW 352), and subject matter experts across the organization. Each interview consisted of an evaluation of the BWL’s current mission and values statements and an assessment of the BWL’s strengths, weaknesses, opportunities, and challenges (SWOC).

The evaluation and SWOC assessment processes allowed for refinements to be made to the Mission and Values statements that were reflective of the common feedback gathered during the interviews. The revised Mission and Value statements serve as the foundation for the Strategic Plan.

The assessment processes also identified common challenges and opportunities, allowing the development of strategies and objectives to meet them. These strategies and objectives are the essence of the BWL’s strategic direction, allowing the BWL to address the challenges and opportunities while providing a common understanding of the strategic goals for communication and planning at all organizational levels.

Mission Statement

The BWL’s mission statement explains the purpose and priorities of the company. The mission statement also helps direct the work of the BWL Board and employees, provides guidance, and makes a commitment to exemplary customer service.

The mission of the BWL is to provide safe, reliable, and affordable utility products and services to the Greater Lansing Region. Together, the BWL’s Board, management, and employees will plan for sustainable growth, be responsible environmental stewards, and be active participants in the Lansing Community’s economic and cultural initiatives.

Value Statements

The BWL's values are the guiding principles to which its employees adhere in the conduct of the BWL's business. They express the shared beliefs and behaviors that guide interactions with, customers, the community and each other.

Exceptional Service: *The BWL is dedicated to providing exemplary and reliable utility products and services.*

Competitive Rates: *As a publicly owned utility, providing competitive and affordable rates is integral to the economic well-being of the Lansing region.*

Safety: *The safety of employees and customers is a priority.*

Community Commitment: *The BWL is committed to active corporate citizenship that advances the community's economic and cultural well-being.*

Integrity: *The BWL will instill community trust by conducting business in a manner that is open, honest, and fair.*

Inclusion and Equity: *The BWL values and respects the individuality and diversity of our customers and employees, considers these an asset of the BWL and the community, and will strive to reflect that diversity in our workforce.*

Environmental Stewardship: *BWL practices and policies will demonstrate our commitment to a healthy and sustainable environment.*

Challenges and Opportunities

Some of the significant high level challenges and opportunities that were identified include:

Retirement of BWL Eckert Station: In 2015 the Lansing Board of Water and Light (BWL) announced plans to close the coal-fired Eckert Station by January 2020. The retirement of Eckert will create a shortage in the energy and capacity available to serve the BWL's customers thereby impacting affordability and reliability.

Changing customer expectations: With the advances in digital technology, information availability, and mobile devices, BWL customers now expect more information and control over their services. In addition to immediate feedback on outages and restoration to mobile devices, the ability to monitor and control electric usage by remotely reading meters and remotely controlling thermostats,

water heaters, and appliances is needed. Technology will allow for more closely tailored services to meet customer needs. In addition, the BWL's customer service will become more efficient, with "real-time" turn-on and turn-off services, along with enhanced online options, such as payments immediately posted to accounts.

Aging infrastructure: The BWL is in the beginning stages of an extensive five-year plan to upgrade and strengthen the resiliency of its electric transmission and distribution system. The last time extensive upgrades were made to this system was in the 1980s. In addition to the electric system, the BWL is also planning for extensive upgrades to its water and steam transmission and distribution systems and its chilled water infrastructure.

Aging and evolving workforce: Over 20 percent of the BWL workforce is eligible to retire, and within a couple years that number will grow to nearly 30 percent. It is imperative for the company to prepare for succession and transfer of knowledge from these employees. At the same time, the BWL must determine the best approach to train BWL employees that are either going to be displaced (e.g. those engaged in daily work at Eckert Station) or are going to be taking on new positions supporting technology that will be implemented as a result of following this strategic plan.

Evolving environmental and regulatory requirements: The BWL faces many new environmental regulations such as the Clean Power Plan. These new regulations have the potential for a significant impact on existing plants such as Erickson. Compliance requirements are an increasingly important component of long-term planning. In addition to environmental regulations, to support reliability of the electric grid, the Federal Energy Regulatory Commission (FERC) and the National Electric Reliability Company (NERC) have implemented rigorous reliability and security standards with which utilities like the BWL must comply. These standards are continually changing, becoming more stringent and impacting nearly every aspect of operation from access to the grid to protection from cyber threats.

Achieving financial performance targets: To address the significant challenges that have been identified, the BWL will make significant financial investments. Controlling the impact on customer rates and BWL competitiveness while supporting these investments will be an on-going challenge.

Water Regionalization: The BWL is already the largest publicly-owned supplier of high quality drinking water in the Greater Lansing Region. As regulations and

focus increases on drinking water systems across the state and country, the BWL can play a larger role in addressing the challenges facing existing systems in the Greater Lansing Region.

DRAFT

Strategic Goals

Seven strategic goals were created from common themes that arose from both the interviews and SWOC analysis. These goals are designed to address the areas where there will likely be challenges to the BWL's ability to meet its mission. These are areas where the majority of the company's resources should be focused for this plan. For each strategy there are one or more objectives that need to be met in order to address the challenges and take advantage of opportunities.

Strategy 1: Customer Experience

Goal: Enhance the customer experience

Unlike investor owned utilities, the BWL was created by the citizens of Lansing to serve their needs for water and electricity. The BWL has grown to offer additional services and to serve the greater Lansing community while continuing to be responsive to its community owners.

As a customer owned utility, meeting customers' needs and expectations is very important. With the growth in the use of mobile devices and the growing interest in online services, the BWL has identified four Objectives to continue to enhance our customer experience:

Objective 1: Anticipate and meet customer expectations

- 1) Routinely survey customers to assess their needs
- 2) Customize and personalize products, services, and information access to address customer needs

Objective 2: Improve customer interactions and communications through phone, web, and mobile devices

- 1) Undertake a customer experience survey and determine best-in-class processes and technology
- 2) Continue the implementation of advanced metering infrastructure (AMI) throughout the BWL system

- 3) Implement new industry technologies that take advantage of AMI by giving customers access to their usage data and helping them manage their use, e.g. through access to thermostats and appliances
- 4) Implement new technologies that provide customers with services more closely tailored to their needs, including better access to their account information, payments, and turn-on and turn-off services
- 5) Provide best-in-class outage reporting, restoration, and communication

Objective 3: Provide customer-focused rates

- 1) Review and revise rate structures to respond to changing customer composition and needs, such as time-of-use rates

Strategy 2: Community Involvement

Goal: Enhance the well-being of our customers and community

As a municipally owned utility, the BWL is an integral component of the social and economic fabric of the Greater Lansing Region. Through participation and collaboration in community initiatives, the BWL plays an important role in helping to make the Greater Lansing Region thrive and remain economically vibrant as well as culturally and socially desirable. Attracting residents and businesses to the community with reliable utility services at a competitive cost helps to promote the community's growth. For over a century the BWL has fulfilled this mission and has continued to expand its products and services into surrounding communities. The BWL has identified two Objectives to help achieve the goal of enhancing the well-being of our customers and community:

Objective 1: Be a catalyst for economic and community development

- 1) Keep rates competitive
- 2) Serve as a partner with regional economic development agencies to promote economic growth in the greater Lansing community

Objective 2: Contribute to Lansing's social and cultural environment

- 1) Continue to promote sustainability within the Lansing community through partnership with the Mayor's Live Green Lansing program and the BWL's energy efficiency and renewable energy programs

- 2) Continue to sponsor cultural events that enrich the greater Lansing's social fabric and make it an attractive place to live and work
- 3) Continue to be environmental leaders
- 4) Enhance communication and outreach to our customers, neighborhood associations, and community leaders
- 5) Improve the hometown brand recognition

Strategy 3: Effectively Acquire and Manage Resources

Goal: Acquire and manage BWL assets in an efficient manner to ensure an adequate and reliable supply of utility services to the Greater Lansing community

By owning its own production and distribution assets, the BWL has been able to fulfill its mission of providing reliable, affordable, and environmentally sound utility products. The BWL owns and operates a complex mix of production, distribution, and transmission assets. The BWL must continue to plan, construct, and maintain these assets in an efficient manner. To support the proper acquisition and management of physical assets, three Objectives are adopted:

Objective 1: Improve transmission and distribution reliability and flexibility

- 1) Continue the commitment to a five-year plan of intensive upgrades to the electric T&D system
- 2) Invest in smart grid technology
- 3) Complete the drinking water lead service replacement program
- 4) Maintain a plan and implementation schedule to replace and upgrade sections of the water and steam distribution systems
- 5) Develop automated interfaces between electric transmission and distribution system devices, customer meters, and our Outage Management System

Objective 2: Fully integrate asset management principles for each utility

- 1) Evaluate and implement improved business processes, standards, and certifications
- 2) Implement utility industry best practices for asset management

- 3) Develop appropriate asset management training for employees
- 4) Create a team culture at the BWL that values and complies with asset management principles

Objective 3: Maintain BWL's status as a regional utility services provider

- 1) Plan for and replace the Eckert energy and capacity with a balanced portfolio of generation resources that include renewable energy, energy efficiency investments, customer programs, and new generation
- 2) Maintain local generation to ensure generation reliability
- 3) Periodically review the IRP to ensure plans are up to date with modeling data, compliance expectations, and generation options
- 4) Review the demand and production capacity of the BWL's water, steam, and chilled water utilities
- 5) Investigate new services and compete for new business

Strategy 4: Implement New Technologies

Goal: Support our customers and employees through enhanced use of technology

Nearly all of the BWL strategic objectives depend on the use of technology to some degree. For example, technology is integral to enhancing the customer experience, asset management, transmission and distribution control systems, and systems that protect against cyber threats. The BWL has identified two Objectives to ensure the best use of technologies:

Objective 1: Support existing and planned projects with IT infrastructure

- 1) Update the Information Technology Strategic Plan to coordinate with both industry best practices and planned BWL strategic and capital initiatives
- 2) Select and maintain reliable, well supported, redundant, secure, cost-effective, and efficient IT systems and communication networks
- 3) Apply business process management methodologies to create and measure business value throughout the life cycle of each technology system implementation

Objective 2: Enhance IT and communications technology

- 1) Identify, prioritize, acquire, and implement technology enhancements to support business needs
- 2) Continuously research and compare current best practices as well as state-of-the-art technologies being tested and deployed by best-in-class organizations
- 3) Identify the necessary experience, skills, and education needed for management and use of new technologies

Strategy 5: Workforce

Goal: Maintain a strong and diverse workforce

The BWL's skilled and dedicated workforce is its strongest asset. To best serve our customers, the BWL must have a workforce that is motivated, has the skills necessary to safely and efficiently operate BWL assets, and is reflective of the cultural diversity of the greater Lansing region. Four workforce Objectives were adopted to emphasize the importance and value of "Hometown Power. Hometown People."

Objective 1: Attract and retain a diverse and highly skilled workforce

- 1) Continue to invest in training and development programs for potential and existing employees
- 2) Ensure our workforce reflects the diversity of our community
- 3) Maintain a competitive total compensation package for all positions
- 4) Creatively use a diverse portfolio of tools such as social media to attract potential applicants

Objective 2: Prepare for transformation of our workforce

- 1) Ensure the BWL has the ability to effectively manage the loss of human capital and institutional knowledge by utilizing succession planning
- 2) Transition BWL employees who are directly or indirectly impacted by BWL change (e.g. implementation of technology and Eckert retirement)
- 3) For each area, determine a balance between internal resources needed to meet on-going work load and external resources needed during peak demand periods

Objective 3: Provide more opportunities for a custom work experience that benefits both the employer and employee

- 1) Update and improve job progression plans and job descriptions to incorporate the new technologies and required skillsets
- 2) Consider more flexible fringe benefits and work schedule options
- 3) Continue to promote health and wellness programs

Objective 4: Pursue excellence by creating a work place environment that seeks to enhance current practices with the intention of adding value, making improvements, and increasing efficiency

- 1) Define, establish, and maintain effective quality assurance processes and systems
- 2) Encourage employee engagement
- 3) Assign responsibility and accountability to employees utilizing a system to analyze and measure the process in terms of risk to assets, safety, and customers

Strategy 6: Financial Stability

Goal: Maintain the financial stability of the BWL

All of the BWLs ongoing efforts and strategic initiatives require funding. The balance between providing this funding and its impact on rates requires a comprehensive financial plan and rate strategy. One Objective has been included in this plan to address Financial Stability:

Objective 1: Practice good financial stewardship

- 1) Develop a Financial Plan that includes a rate strategy that provides financing for the BWL's capital program, replacement generation needs, while maintaining competitive rates
- 2) Maintain an above average bond rating for municipal utilities
- 3) Identify cost savings through process improvement initiatives and return on investments with minimal impact on operations or employees
- 4) Commit to reviewing and consistently achieving targeted rate of return

Strategy 7: BWL Leadership

Goal: Continuous improvement

BWL Leadership recognizes that in a changing world the BWL needs to not only change, but continually improve. Improvements to the BWL's emergency resiliency plan helped the Company overcome hardships such as the 2016 cyber-intrusion and have made the company an emergency management hub for the region. Improvements in our renewable energy portfolio and energy efficiency have helped the BWL to become a leader in these areas as well. This culture of continuous improvement needs to not only continue, but be reinforced in order for the BWL to maintain its leadership role among municipal utilities. Our processes, revenues, energy portfolio, safety practices, compliance programs, and even our leadership and organizational structures need to evolve to meet the changing needs of the BWL and our community.

Objective 1: Increase organizational efficiency and strength

- 1) Evaluate organizational reporting structure and the ability to efficiently and productively meet current and near-future organizational requirements
- 2) Evaluate, prioritize, and improve business practices and processes

Objective 2: Enhance organizational resiliency

- 1) Coordinate with other regional entities, and enhance resiliency to external events, such as storms, accidents, cyber incidents, and terrorist attacks

Objective 3: Reinforce safety practices

- 1) Complete Phase II of the BWL's safety assessment

Objective 4: Enhance the team culture

- 1) Communicate the connection between the Mission, Values, and Strategic Plan
- 2) Effectively communicate corporate objectives and priorities and their status
- 3) Continue to support the Balanced Scorecard approach as a tool to balance financial, customer service, operational, and personnel initiatives

Objective 5: Lead in Clean-Energy and Demand Response

- 1) Develop a cost-effective demand response program
- 2) Increase the BWL's energy efficiency and renewable energy (Clean-Energy) programs to reach 30 percent of its energy requirements in 2020, and implement a plan to expand these options as components of BWL's resource portfolio thereafter

Objective 6: Ensure Regulatory Compliance

- 1) Continue to develop and update plans to ensure compliance with all applicable regulations, including environmental, electric reliability grid, drinking water, security (physical and information), and safety

Objective 7: Develop New Leaders

- 1) Identify potential leaders and develop a senior management succession plan

DRAFT