



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
Thursday, May 7, 2026 – 6:00 P.M.
Board of Water & Light Headquarters – REO Town Depot
1201 S. Washington Ave., Lansing, MI 48910**

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham; Chris Harkins; and David Price;
Alternates: Tony Mullen, Semone James

BWL full meeting packets and public notices/agendas are located on the official web site at
<https://www.lbwl.com/about-bwl/governance>.

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

1. Approval of the Finance Committee Meeting Minutes of March 10, 2026.....**TAB 1**
2. YTD Financial Summary**TAB 2**
3. FY2027-2032 Budget and Forecast**TAB 3**
 - a. FY2027-2032 Budget and Forecast Resolution
4. FY2027-2032 Department of Corporate Secretary Budget and Forecast.....**TAB 4**
5. FY2027-2032 Department of Internal Audit Budget and Forecast.....**TAB 5**
6. FY2026 Billing Audit Results.....**TAB 6**
7. Internal Audit Status Report.....**TAB 7**

Other

Adjourn

FINANCE COMMITTEE

Meeting Minutes

March 10, 2026

Finance Committee: Dale Schrader, Committee Chairperson; Beth Graham, Chris Harkins, David Price; Alternates: Semone James, Tony Mullen.

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, March 10, 2026.

Finance Committee Chairperson Dale Schrader called the meeting to order at 6:01 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Dale Schrader, Beth Graham, and David Price; Also Present: Commissioners Semone James (Alternate) and Commissioner Sandra Zerkle.

Absent: Commissioner Chris Harkins

Corporate Secretary LaVella Todd declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Dale Schrader, **Seconded** by Commissioner David Price, to approve the Finance Committee Meeting minutes of January 13, 2026.

Action: Motion Carried. The minutes were approved.

YTD Financial Summary

Chief Financial Officer (CFO) Scott Taylor gave a full overview of the Year-to-Date Financial Summary for November 2025 – FY26. CFO Taylor reported on Total Cash balances and Days Cash on Hand. Stated, our wholesale income is 28% over budget, with year-to-date earnings at \$33 million compared to a budget of \$26 million. January's energy prices increased significantly, with an average sale price of \$115 per megawatt-hour, due to the severe cold weather. Operating expenses remain 5% under budget, while non-operating income is consistent with previous reports. Despite outages, the company projects to exceed net income targets, but will incur a \$6 million write-off due to early plant outages. CFO Taylor stated that the capital budget is \$29 million over budget, driven by two overhauls. The new energy programs are under budget by \$38 million, with expected savings from the Watertown solar project and battery project. Return on assets is strong due to the net income outperformance. CFO Taylor states that the operating ratio and current ratio are in the green, while the debt-to-total-asset ratio is

red. The company has greater generation capacity and is more aggressive in its carbon-neutrality programs, leading to bond issuances. Day sales outstanding is slightly over target, and bad debt continues to run low. The employee count is 41 under, with 28 temporary employees offsetting turnover and vacancies. Overtime is 7.9% over budget, primarily driven by storm activity and overhaul work. The Rx shows \$1.2 million under budget, with a slight delay in billing due to a change in the prescribing provider. Once billing catches up, half of the price will be absorbed, leaving the company still under budget.

CFO Taylor then presented the Capital Report, which includes two DEP overhauls costing almost \$18 million each. The south reinforcement project is \$2 million under budget, with contingency money released and material saved. The REO STG overhaul project is still within budget, with additional work than anticipated. The electric planned project has a slight overspend, but the water project is underspent. The portfolio is managed carefully to stay close to target, with a projected \$110,220,709 compared to the budgeted \$74,479,242.

DB Plan Investment Policy Statement Revision and Resolution

Chief Financial Officer (CFO) Scott Taylor presented a recommendation to update the investment policy statement to adopt a liability-driven investment strategy. Nathan Burke of Asset Consulting Group (ACG) explained the strategy, which aims to match future benefit payments with fixed income bonds. The proposed portfolio includes an 80% fixed income allocation, 18% equity, and 2% real estate. The new strategy aims to reduce funded status volatility and protect future benefit payments. Mr. Burke ACG highlights the benefits of this new strategy, including reduced volatility and lower fees. The proposed changes include higher fixed income allocations and performance benchmarks aligned with the new strategy. CFO Scott Taylor clarifies that the changes are intended to benefit current pensioners and ensure funding is available when needed. CFO Taylor referenced the redline and the completed revision of the statement of investment policies, procedures, and objectives, available in the commissioner's packets for review. CFO Taylor then presented a resolution to change the investment policy statement.

DB Plan Investment Policy Statement Change Resolution

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham, to forward the DB Plan Investment Policy Statement Change Resolution to the full Board for action.

Action: Motion Carried.

Internal Audit Results

Director of Internal Audit(DIA) Elisha Franco presented the Internal Audit Status Report for March 2026, which includes the FY2026 IT Audit Results, Penetration Testing Audit Results, Internal Audit Department Structure Review, and Internal Audit Status Report. DIA Franco

began the FY2026 IT Audit Results presentation by thanking the IT Department for their efforts and assistance with the audit. The audit scope included examining IT processes, procedures, and documentation for the Lansing Board of Water and Light. The audit was conducted from October 15, 2025 to November 24, 2025, in compliance with the global internal audit standards. The objectives of the audit were to assess IT governance policies, IT controls, cybersecurity, incident response processes, and user awareness training. DIA Franco highlighted key audit themes, including policy management, system operations, and access control. The audit identified one medium risk finding and two process improvements. The finding has been remediated, and management elected to formally accept the risk. The audit's overall opinion was rated as sufficient, indicating no critical or high-level risk areas.

Plante Moran Brent MacLaren, senior cybersecurity consultant, presented the Penetration Testing Audit Results. The audit's overall themes included consistent alerting and activity detection, and minimal external exposure. Privilege escalation was observed on the internal network due to misconfigured systems and vulnerabilities. Mr. MacLaren reported the IT department was able to detect all activities during testing, but some layers of security were bypassed. A scorecard was presented to benchmark the results against industry averages, showing good results for external testing and areas for improvement for internal testing. Plante Moran MacLaren presented an attack chain flow diagram to illustrate the order of attacks during testing. The diagram showed the steps taken by the testers, including external threats, internal logical attacks, and privilege escalation. The IT Department detected and isolated the testing device, and the privilege escalation issue was remediated. The overall findings are summarized as two high-priority, four moderate-priority, and six low-priority findings. Plante Moran MacLaren highlighted positivetesting , such as immediate rogue device detection, continuous malicious activity detection, and properly configured user permissions. Network protocol hardening and minimal external network exposure were also noted as strengths. Domain user privileges are restricted and protected by multi-factor authentication, with system admins using separate accounts for different privilege levels. The presentation concluded with an invitation to the commissioners to ask questions, but none were asked.

Director of Internal Audit (DIA), Elisha Franco, presented the Internal Audit Department Structure Review. The presentation summarized ongoing research and analysis of the internal audit department's structure, with a business case still in progress. The presentation was part of a broader internal audit strategic plan focused on evaluating department structure to support evolving risk and operational needs. Drivers for change include organizational expansion, new global internal audit standards, and additional compliance requirements. The current internal audit structure has remained largely unchanged for several years, with a limited depth in succession planning and knowledge continuity. Planning considerations

involved optimizing the structure for efficiency and strategic alignment with the organization's strategic plan. DIA Franco highlighted the increase in total assets from \$760 million in 2010 to approximately \$2 billion in 2024. The internal audit department has remained at the same 2 FTEs over the last 10 years, despite asset growth. DIA Franco presented three internal audit department structure models: hybrid, in-house, and co-sourcing. The hybrid model combines internal audit teams with external consultants for additional expertise. The in-house model involves all internal activities, including having an IT auditor and specialists on staff. Co-sourcing is the current model, where internal audit services are delivered through a partnership with external service providers like Plante Moran.

DIA Franco explained that the in-house model has advantages like strong institutional knowledge and support for succession planning but can be costly. Co-sourcing allows access to specialized knowledge but may have challenges with continuity and control over consulting staff. The hybrid model combines internal staff with strategic external support, maintaining control while remaining flexible. The primary drawback to the hybrid model is the higher cost due to more internal staffing. The internal audit department has two budgeted full-time FTE positions: a director and an internal staff auditor. The internal auditor position is currently filled by a Co-Op student who will transition to a full-time position in June. The department is also supported by a temporary administrative assistant. Benchmarking data indicate that the internal audit department function is typically in the public sector, with between three and five auditors. DIA Franco then compared the internal audit department structure to similar audit department structures and compliance areas both externally and internally. The director recommends implementing a hybrid structure, which would require an additional two FTE's: a manager and a senior auditor. The proposed change would be implemented collaboratively with management and phased in over time. The projected budget for the fiscal year 2027 includes an increase of \$160,000 in external services from Plante Moran for risk assessments and internal and external assessments. A preliminary budget comparison shows a decrease in consulting costs and a shift of funds for a new full-time employee's compensation. The overall cost of the hybrid model is expected to be higher than the current co-sourcing structure.

Commissioner Beth Graham questioned whether the internal audit departments that DIA Franco used as comparison companies also used outside consulting services, as well as what that cost would have been. DIA Franco was unsure of the answer but agreed to bring the requested information to the next meeting. Commissioner Zerkle also expressed that the past internal audit department never had any delays with staff that was provided to them and indicated all required audits were always completed. Commissioner David Price confirmed with DIA Franco that her recommendation was to move to a hybrid model compared to the current co-sourcing model. He also confirmed that no additional audits will be added to the department

structure as a result of this model change. Commissioner Price emphasized the need to bring this presentation before the full board for further consideration at the next Committee of the Whole.

Commissioner Semone James expressed her concern for losing the expertise of external consultants like Plante Moran if we were to move to a hybrid model. Commissioner James also expressed her concern about the increase in costs for full-time employees and external consulting that will still be needed under the hybrid model.

[inaudible]

Commissioner Dale Schrader reiterated the need to bring this matter before the full Board at the next Committee of the Whole meeting. He noted that today's presentation was intended to provide the Board of Commissioners with an overview for discussion purposes only and that no decisions were expected at this time. Director of Internal Audit Franco stated that she agreed with Commissioner Schrader.

Lastly, DIA Franco presented the Internal Audit Status Report. She provided an update on the current status of the audits, including the start of the environmental audit with the Environment Department. audits for the Environment Department. The fiscal year 2026 audit plan includes payroll disaster recovery and IT security assessments. The Department is working on fiscal year 2027 risk assessments and work plans. Local community outreach efforts include visiting Lansing Community College to introduce students to the role and impact of an Internal Auditor. DIA Frano also plans to attend the 2026 IIA Leadership Academy Conference in Orlando, FL, in April 2026, paid for by The IIA Lansing Chapter, on whose board she serves. DIA Franco also informed the Finance Committee she has earned the Certified Internal Auditor (CIA) certification.

Other

Motion by Commissioner Beth Graham, **Seconded** by Commissioner David Price, for excused absences for Commissioner Chris Harkins.

Action: Motion Carried.

Adjourn

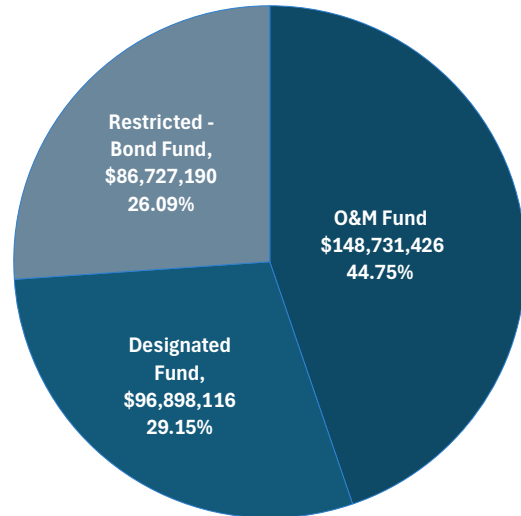
Chairperson Dale Schrader adjourned the meeting at 7:35 p.m.

Respectfully submitted,
Dale Schrader, Chairperson
Finance Committee

Financial Summary - March 2026 - FY26



Cash



Total Cash: \$332,356,732

	Month End	Target
Days Cash on Hand	212	> 170
Credit Rating (S&P/Moody's)	AA-/Aa3	AA-/Aa3
Debt Service Coverage	2.21	> 2.00

Days Cash on Hand:

O&M Fund - Portion Restricted By Bond Covenants + Designated Funds
(Budgeted Operating Expenses - Depreciation + RoE to City) / 365

Debt Service Coverage:

Projected Net Income + Depreciation Expense + Interest Expense
Debt Principal + Debt Interest

Income Statement YTD

	Actual YTD	Budget YTD	Difference	%
Retail	\$ 330,800,711	\$ 327,025,528	\$ 3,775,183	1%
Wholesale	\$ 40,073,542	\$ 33,327,827	\$ 6,745,715	20%
Total Revenue	\$ 370,874,253	\$ 360,353,355	\$ 10,520,898	3%
Operating Expenses	\$ 287,123,647	\$ 290,679,696	\$ (3,556,049)	-1%
Non Operating Income/(Exp)	\$ (45,872,852)	\$ (49,456,519)	\$ 3,583,668	-7%
Net Income	\$ 37,877,754	\$ 20,217,139	\$ 17,660,615	87%

FY 2026 Budgeted Net Income \$ 24,783,169

Budget Status YTD

O&M Budget YTD (excluding fuel)

FY26 Approved Budget	Actual YTD	Budget YTD	Difference	%
\$ 190,590,137	\$ 139,442,392	\$ 140,421,780	\$ (979,387)	-1%
% of Approved Budget	73%	74%		

Capital Budget YTD

FY26 Approved CIP Budget	Actual YTD	Budget YTD	Difference	%
\$ 74,479,242	\$ 78,318,084	\$ 45,106,219	\$ 33,211,865	74%
% of Approved Budget	105%	61%		

FY26 New Energy Budget

	Actual YTD	Budget YTD	Difference	%
\$ 132,470,182	\$ 37,791,258	\$ 92,857,543	\$ (55,066,285)	-59%
% of Approved Budget	29%	70%		

FY26 Steam to HW Budget

	Actual YTD	Budget YTD	Difference	%
\$ 7,986,167	\$ 4,040,536	\$ 4,819,643	\$ (779,107)	-16%
% of Approved Budget	51%	60%		

Return on Assets

FY26 ROA Budget	Actual YTD	Budget YTD	Target ROA*
4.02%	4.01%	3.19%	4.57%

*BWL forecast to reach target in FY2028

Return on Assets = $\frac{\text{YTD Net Income} + \text{YTD Interest Expense} - \text{YTD Interest Income}}{\text{Net Fixed Assets} + \text{Inventory}}$

Financial Summary - March 2026 - FY26



Ratios

Operating Ratio

O&M Expense	\$	237,775,298	=	0.64	APPA Median 0.76
Total Revenue	\$	370,874,253			

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

Current Ratio

Current Assets	\$	308,310,344	=	3.97	APPA Median 1.89
Current Liabilities	\$	77,600,042			

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

Debt to Total Assets

LT Debt + Accrued Liabilities	\$	1,271,901,062	=	0.62	APPA Median 0.50
Total Assets	\$	2,060,235,918			

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

Days Sales Outstanding

Average Accounts Receivable	x Days	\$	32,842,807	x 31 =	27	Prior Year 25
Base Retail Revenue	\$	37,659,631				

Measures the average number of days it takes to collect payment after a sale is made

Bad Debt

12 Month Bad Debt Exp	\$	1,654,641	=	0.38%	Prior Year 0.47%
12 Month Retail Revenue	\$	435,703,420			

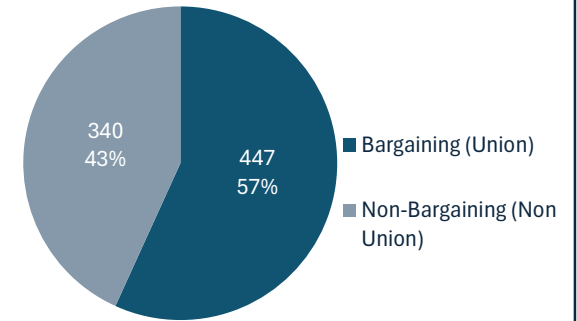
Measures the portion of each retail revenue dollar that will not be collected

Employee Data

Employee Count

Employee Count YTD	787
Budget YTD	829
Over/(Under) #	(42)

Full Time Equivalent Temporary Employees	25
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Payroll Data

	Actual YTD	Budget YTD	Difference	%	Prior Year
Regular	\$ 64,066,991	\$ 63,478,520	\$ 588,472	0.9%	\$ 61.04
Overtime	\$ 5,995,774	\$ 5,460,322	\$ 535,452	9.8%	
Total	\$ 70,062,765	\$ 68,938,842	\$ 1,123,924	1.6%	
Total Hours Worked	1,067,916				
Labor \$/Hours Worked	\$ 65.61				

Benefits Cost

(Including Retirees)	Actual YTD	Budget YTD	Difference
Health & Rx	\$ 18,324,301	\$ 18,052,160	\$ 272,141
Dental	\$ 1,037,931	\$ 1,062,129	\$ (24,198)
Life	\$ 361,426	\$ 523,503	\$ (162,077)
FICA	\$ 5,088,469	\$ 5,236,701	\$ (148,232)
Other	\$ 857,343	\$ 1,037,581	\$ (180,238)
Total	\$ 25,669,471	\$ 25,912,074	\$ (242,604)

BUDGET & FORECAST

FY 2027 – 2032

Finance Committee Meeting
May 7, 2026

Board Meeting
May 19, 2026



Hometown People. Hometown Power.

Overview

- Strategic Objectives
- Key Budget & Forecast Assumptions
- Sales Volume History & Forecast by Utility
- Operating Budget & Forecast
- Capital Budget & Forecast
- Next Steps

BWL YEAR IN REVIEW BY STRATEGIC PRIORITY

Customer & Community

- Hosted Community Resource Fairs – over \$4 Million in funds raised to date
- Customer Payment Assistance Received – \$1.37 Million applied to customer accounts
- Call Center Customer Satisfaction Survey yielded a rating of 4.86/5
- Expanded customer support access by partnering with four community agencies to apply utility assistance funds directly to customer accounts

Workforce Engagement & Diversity

- Energy Star & Silver Telly Awards
- Employee advancement - 69 promotions/progressions supporting career development
- Employee investment – 21,125 hours of training provided
- Foundations for Inclusive Management curriculum added to management orientation

Climate & Environment

- Hometown Energy Savers (EWR) programs exceeded 1.5% kWh savings in retail sales for residential and commercial customers
- Increased our renewable energy portfolio with the commercial operation of the 115MW White Tail solar project in December of 2025
- The BWL Community Water Advisory Council received the 2025 Professional Excellence Award for its innovative public education on reducing lead exposure in drinking water and its Drinking Water Flushing Program for children

Operational Resiliency & Continuous Improvement

- APPA Diamond Safety Award recipient
- APPA Diamond Reliable Public Power Provider Designation

Financial Stability

- Refined Rate Structure to maintain competitiveness while continuing to generate returns for reinvestment
- Maintained strong credit rating of AA-/Stable with S&P
- Achieved \$4 Million cash savings through bonds refinancing

STRATEGIC OBJECTIVES – LOOKING FORWARD

FY 2027-2032

- **Financial Stability**

- Increasing return on assets for investment in infrastructure
- Continue to refine rate structure to maintain competitiveness
- Maintain favorable bond rating

- **Operational Resiliency & Continuous Improvement**

- Continued replacement of aging infrastructure to maintain resiliency and provide safe and reliable utility access for all
- Embed business continuity in processes and practices
- Improve internal processes for cost-effective decision-making, priority-setting and resource allocation
- Improve system availability, functionality, and support for technology assets and maintain cybersecurity resilience
- Maintain regulatory compliance

STRATEGIC OBJECTIVES – LOOKING FORWARD

FY 2027-2032

- **Customer & Community**

- Maintain high customer satisfaction
- Continue supporting accessible connections between external resources and vulnerable customers
- Support the business community and economic development
- Continue to host Community Resource Fairs, raising more funds for the community

- **Workforce Development & Diversity**

- Continuously pursue and enhance safety culture
- Increase retention and employee development
- Empower a culture of inclusion and respect where diverse perspectives drive success
- Identify and develop candidates for critical functions

- **Climate & Environment**

- Achieve BWL and regulatory renewable and clean energy targets
- Increase customer participation in innovative decarbonization and energy waste reduction programs
- Reduce organizational greenhouse gas emissions

STRATEGIC OBJECTIVES – TARGET METRICS

- **Maintain High Credit Rating**

- BWL is currently rated AA- (S&P) and Aa3 (Moody's) with stable outlooks
 - If the BWL were to have a one notch downgrade, the \$139M 2026 bond issuance would have cost an estimated \$2.1M additional interest expense

- **Generate Adequate Return On Assets (RoA)**

- Adequate RoA is essential to municipal utilities
 - Ensures current ratepayers are not deferring costs to future generations and infrastructure is invested in order to maintain high levels of service
- An appropriate RoA recovers two main items:
 - Interest expense
 - Inflationary increase in infrastructure replacement costs
- Annual review of the return target is required by the Board (Resolution 2016-07-08)
- Return on Assets FY 2027-2032 Target: **5.92%**

- **Ensure Adequate Liquidity**

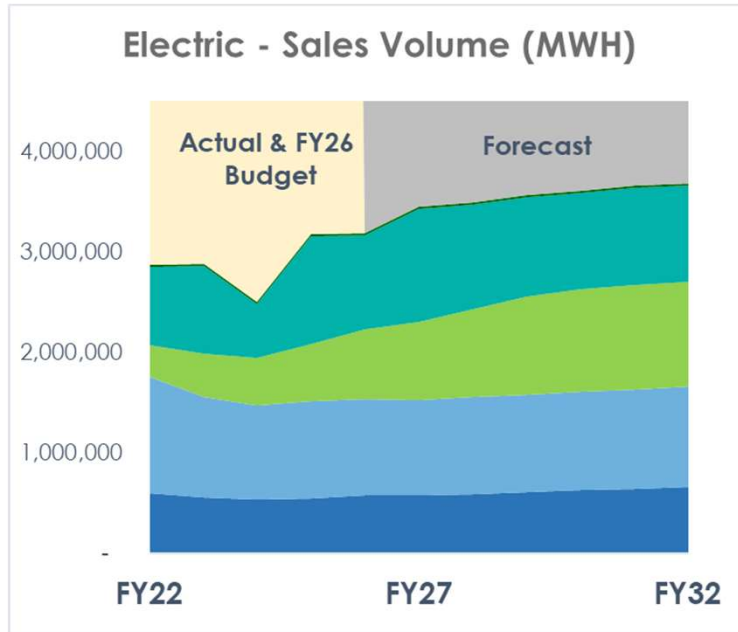
- BWL must be able to pay current obligations
 - Minimum cash reserve requirement per policy: **176 days for FY2027**
 - Debt service coverage minimum target: **2.00 x**

KEY BUDGET & FORECAST ASSUMPTIONS

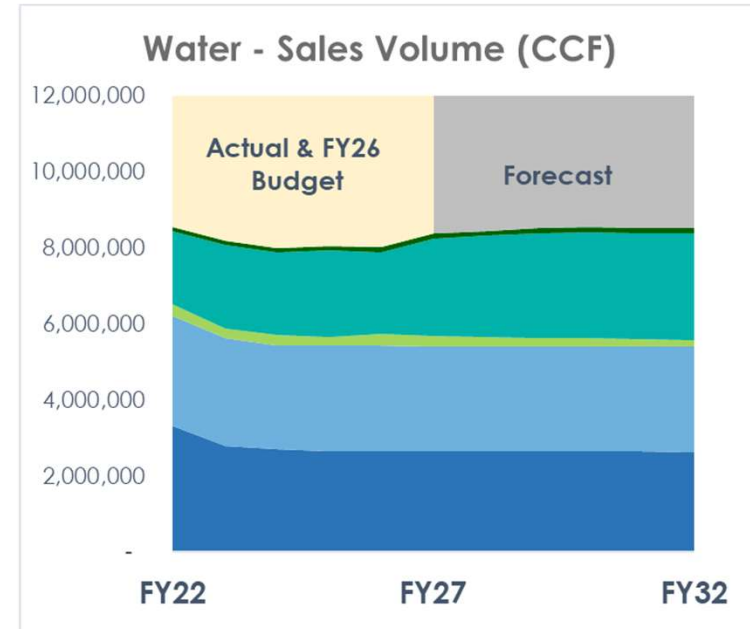
- LG Battery Plant fully reaches 80MW load in June 2030
- Moltke Ridge Wind project and DEP CTG 1 are removed from the forecast based on a more conservative strategy approach
- GM to discontinue Steam service in December 2027
- Belle River natural gas conversion completed by December 2026
- Bond issuance planned only for Steam to Hot Water conversion capital spend
- Headcount holds at 820 throughout forecast period
- Post-Retirement Benefits Plan (VEBA) achieves its target investment return
- ROE payment to City of Lansing is 6% of total operating revenues less inter-utility sales
- 2.3% operating inflation rate obtained from the Federal Congressional Budget Office

SALES VOLUME HISTORY & FORECAST

Electric and Water



Electric Key:



Water Key:



NEW RENEWABLE ENERGY ASSETS

Forecast & Planned Commercial Operation Dates

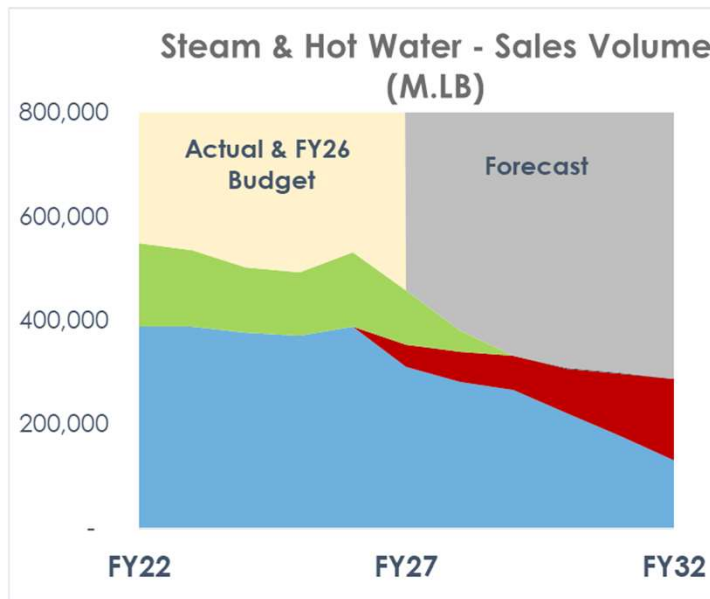
Project Name	Type	Planned COD	Nameplate Capacity (MW)	Annual Output (MWh)
White Tail Solar ¹	Solar	12/1/2025	115	204,750
Lake Lansing Solar	Solar	6/1/2026	6	10,538
Comfort Street Solar	Solar	1/1/2027	4	6,938
DEP Solar	Solar	10/1/2027	10	19,471
Watertown Solar I / Replacement	Solar	10/1/2027	8	14,050
Watertown Solar II / Replacement	Solar	10/1/2027	6	10,538
Moltke Wind / Replacement ²	Wind	TBD	149	440,000

¹Project commenced operations in December 2025.

²Due to elevated risk levels, this project's generation output has been excluded from the forecast projections.

SALES VOLUME HISTORY & FORECAST

Steam & Hot Water and Chilled Water

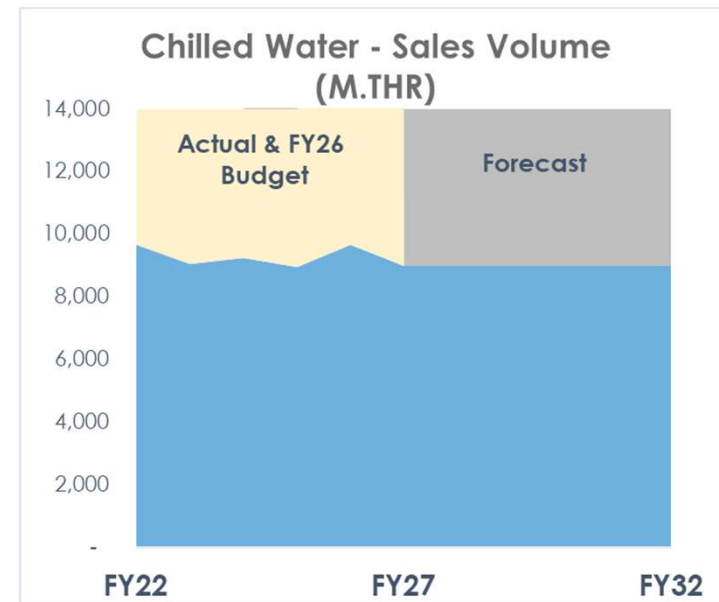


Steam & Hot Water Key:

Commercial - Steam

Industrial - Steam

Commercial - Hot Water



Chilled Water Key:

Commercial

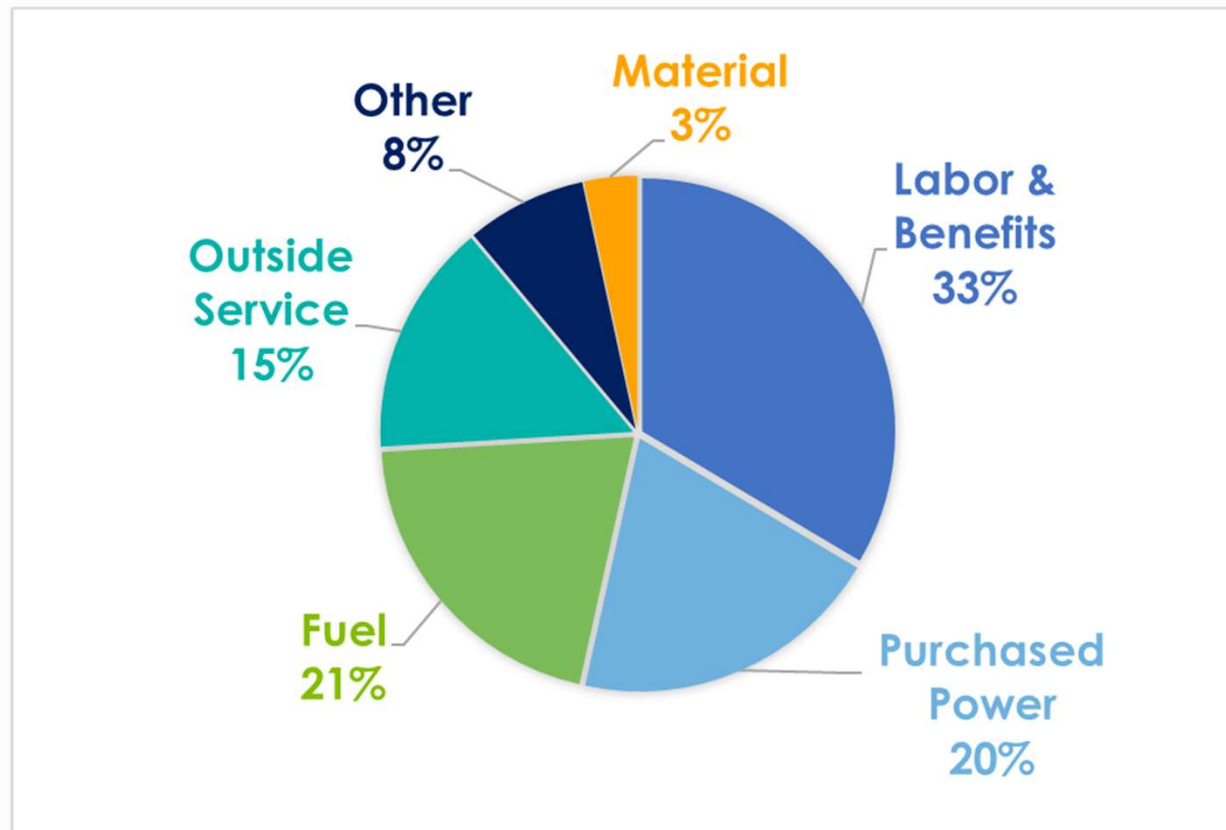
OPERATING BUDGET & FORECAST

FY 2027 Income Statement

FY 2027 Income Statement Sales (MWh, CCF, MLB, MTHR)	Electric	Water	Steam & Hot Water	Chilled Water	Total
	3,447,021	8,392,840	415,248	8,969	
Operating Revenue					
Residential	\$ 110,399,720	\$ 28,397,741	\$ 23,281	\$ -	\$ 138,820,741
Commercial	\$ 133,948,033	\$ 26,595,843	\$ 11,935,124	\$ 7,047,347	\$ 179,526,347
Industrial	\$ 75,757,676	\$ 2,075,534	\$ 4,581,408	\$ -	\$ 82,414,618
Wholesale	\$ 61,063,711	\$ 6,756,991	\$ -	\$ -	\$ 67,820,702
Other	\$ 45,413,027	\$ 5,591,824	\$ 66,967	\$ -	\$ 51,071,817
Total Operating Revenue	\$ 426,582,166	\$ 69,417,933	\$ 16,606,779	\$ 7,047,347	\$ 519,654,225
Operating Expenses					
Fuel & Purchased Power	\$ (133,928,019)	\$ (6,555,126)	\$ (3,670,001)	\$ (2,411,966)	\$ (146,565,112)
Depreciation	\$ (63,134,108)	\$ (10,007,357)	\$ (3,205,005)	\$ (1,099,814)	\$ (77,446,284)
Other Operating Expenses	\$ (153,075,242)	\$ (39,437,994)	\$ (7,108,273)	\$ (2,210,102)	\$ (201,831,612)
Total Operating Expenses	\$ (350,137,368)	\$ (56,000,477)	\$ (13,983,279)	\$ (5,721,883)	\$ (425,843,007)
Total Operating Income	\$ 76,444,798	\$ 13,417,456	\$ 2,623,500	\$ 1,325,464	\$ 93,811,218
Non Operating Income/(Expenses)					
Return on Equity to City	\$ (25,124,837)	\$ (4,048,047)	\$ (983,529)	\$ (422,841)	\$ (30,579,254)
Interest Expense	\$ (38,016,457)	\$ (1,311,956)	\$ (1,976,594)	\$ (78,736)	\$ (41,383,743)
Other Non Operating Income/(Expenses)	\$ 3,960,514	\$ 2,316,635	\$ 641,715	\$ 468,804	\$ 7,387,669
Total Non Operating Income/(Expenses)	\$ (59,180,780)	\$ (3,043,368)	\$ (2,318,407)	\$ (32,773)	\$ (64,575,328)
Total Net Income	\$ 17,264,018	\$ 10,374,088	\$ 305,093	\$ 1,292,692	\$ 29,235,891
FY 2027 Rate Increase	2.04%	2.30%	5.51%	0.00%	
Return on Assets	4.29%	3.46%	1.83%	6.18%	4.03%
Target Return on Assets	5.92%	5.92%	5.92%	5.92%	5.92%

OPERATING BUDGET & FORECAST

FY 2027 Operating Expenses by Category



OPERATING BUDGET & FORECAST

Department of Internal Audit

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Labor:	\$ 227,120	\$ 233,934	\$ 240,412	\$ 247,069	\$ 253,911	\$ 260,943
Material:						
<i>A&G Supplies</i>	\$ 25,609	\$ 26,233	\$ 26,872	\$ 27,526	\$ 28,197	\$ 28,849
Outside Services:						
<i>Consulting Fees</i>	\$ 230,936	\$ 236,561	\$ 242,324	\$ 248,227	\$ 254,274	\$ 260,150
Total	\$ 483,665	\$ 496,727	\$ 509,608	\$ 522,823	\$ 536,382	\$ 549,941

- The budget remains consistent with the forecast for FY 2027.
- A&G supplies include office materials, CPE training expenses, and general departmental supply needs.
- Labor costs include the Director of Internal Audit and one full-time equivalent (FTE) position.
- Consulting fees encompass four comprehensive audits, support with the risk assessment process, and an internal assessment of the Internal Audit Department.

OPERATING BUDGET & FORECAST

Office of the Corporate Secretary

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Labor:	\$ 236,029	\$ 243,110	\$ 249,842	\$ 256,761	\$ 263,871	\$ 271,178
Other:						
<i>Travel & Conf</i>	\$ 4,300	\$ 4,399	\$ 4,501	\$ 4,605	\$ 4,711	\$ 4,820
<i>General</i>	\$ 1,500	\$ 1,535	\$ 1,570	\$ 1,606	\$ 1,644	\$ 1,682
<i>Training</i>	\$ 1,100	\$ 1,125	\$ 1,151	\$ 1,178	\$ 1,205	\$ 1,233
Total	\$ 242,929	\$ 250,169	\$ 257,065	\$ 264,150	\$ 271,431	\$ 278,913

- Travel and Conference includes Office of the Corporate Secretary Society of Corporate Governance conference
- General includes Office of Corporate Secretary office supplies and general business expenses
- Training includes Corporate Secretary Society of Corporate Governance annual membership fee and Administrative Assistant training fees

OPERATING BUDGET & FORECAST

Office of the Board of Commissioners

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Material:						
<i>A&G Supplies</i>	\$ 2,500	\$ 2,558	\$ 2,617	\$ 2,677	\$ 2,739	\$ 2,803
Other:						
<i>Travel & Conf</i>	\$ 28,000	\$ 28,647	\$ 29,309	\$ 29,986	\$ 30,679	\$ 31,388
Outside Services:						
<i>General</i>	\$ 20,000	\$ 20,462	\$ 20,935	\$ 21,419	\$ 21,914	\$ 22,420
<i>Doc Storage Upgrade</i>	\$ 35,000	\$ 35,809	\$ 36,636	\$ 37,483	\$ 38,349	\$ 39,236
Total	\$ 85,500	\$ 87,476	\$ 89,497	\$ 91,566	\$ 93,682	\$ 95,847

- A&G Supplies include Board of Commissioners meetings and office supplies
- Travel and Conference includes both in-state and out-of-state travel for the Board of Commissioners
- General Outside Services include Board of Commissioners meetings meal expenses, new Commissioner professional photography fee, and annual BWL records storage fee
- Doc Storage Upgrade includes funds for Smartsheet replacement

OPERATING BUDGET & FORECAST

6-Year Income Statement

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Operating Revenue						
Electric	\$ 426,582,166	\$ 438,879,197	\$ 446,366,634	\$ 463,904,411	\$ 480,210,706	\$ 494,421,453
Water	\$ 69,417,933	\$ 71,494,038	\$ 75,330,919	\$ 79,797,389	\$ 84,397,974	\$ 89,231,900
Steam & Hot Water	\$ 16,606,779	\$ 14,144,173	\$ 12,333,719	\$ 11,846,820	\$ 11,700,924	\$ 11,494,242
Chilled Water	\$ 7,047,347	\$ 7,106,363	\$ 7,180,011	\$ 7,257,214	\$ 7,336,767	\$ 7,419,394
Total Operating Revenue	\$ 519,654,225	\$ 531,623,770	\$ 541,211,283	\$ 562,805,834	\$ 583,646,371	\$ 602,566,989
Operating Expenses						
Fuel & Purchased Power	\$ (146,565,112)	\$ (145,554,348)	\$ (146,581,742)	\$ (150,086,883)	\$ (152,158,846)	\$ (152,580,573)
Depreciation	\$ (77,446,284)	\$ (78,735,457)	\$ (79,221,376)	\$ (78,563,858)	\$ (80,757,616)	\$ (81,980,536)
Other Operating Expenses	\$ (201,831,612)	\$ (211,160,204)	\$ (208,239,903)	\$ (214,358,897)	\$ (228,217,860)	\$ (241,279,306)
Total Operating Expenses	\$ (425,843,007)	\$ (435,450,009)	\$ (434,043,021)	\$ (443,009,639)	\$ (461,134,323)	\$ (475,840,415)
Total Operating Income	\$ 93,811,218	\$ 96,173,762	\$ 107,168,261	\$ 119,796,196	\$ 122,512,048	\$ 126,726,574
Non Operating Income/(Expenses)						
Return on Equity to City	\$ (30,579,254)	\$ (31,284,435)	\$ (31,844,096)	\$ (33,120,255)	\$ (34,350,424)	\$ (35,464,616)
Interest Expense	\$ (41,383,743)	\$ (40,833,093)	\$ (40,139,475)	\$ (39,776,690)	\$ (39,291,278)	\$ (39,999,621)
Other Non Operating Income/(Expenses)	\$ 7,387,669	\$ 7,918,801	\$ 7,985,006	\$ 7,543,312	\$ 9,507,632	\$ 9,422,504
Total Non Operating Income/(Expenses)	\$ (64,575,328)	\$ (64,198,727)	\$ (63,998,566)	\$ (65,353,633)	\$ (64,134,071)	\$ (66,041,734)
Total Net Income	\$ 29,235,891	\$ 31,975,035	\$ 43,169,696	\$ 54,442,563	\$ 58,377,977	\$ 60,684,840

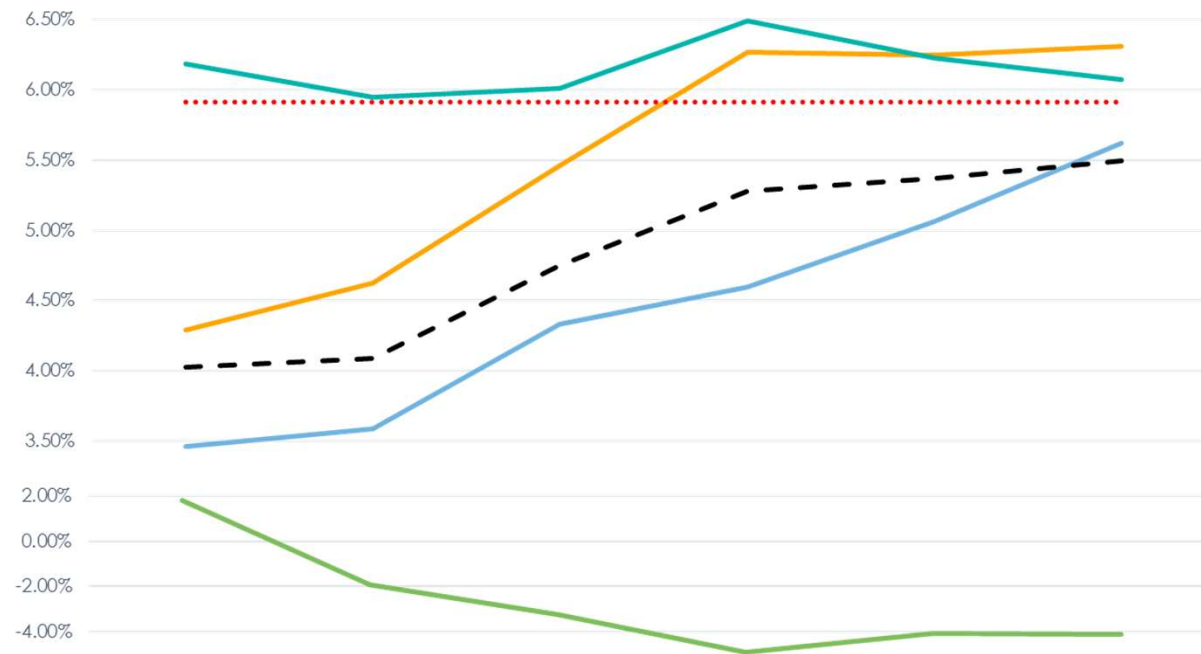
OPERATING BUDGET & FORECAST

6-Year Target Metrics

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Return on Assets	4.03%	4.09%	4.75%	5.28%	5.37%	5.50%
Target Return on Assets	5.92%	5.92%	5.92%	5.92%	5.92%	5.92%
Debt Service Coverage Ratio	2.26	2.29	2.45	2.58	2.64	2.63
Days Cash on Hand	177	180	214	213	217	230
Minimum Cash Reserve Requirement	176	174	176	174	170	168
Full Time Employees	820	820	820	820	820	820
Rate Increases	Proposed	Forecast				
Electric	2.04%	2.42%	2.31%	2.31%	2.31%	2.31%
Water	2.30%	2.70%	6.00%	6.00%	6.00%	6.00%
Steam & Hot Water	5.51%	5.51%	5.50%	5.50%	5.50%	5.50%
Chilled Water	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Average Residential Bill Impact	Proposed	Forecast				
Electric - 500 kWh	\$2.16	\$2.54	\$2.49	\$2.54	\$2.60	\$2.66
Water - 5 CCF	\$1.15	\$1.30	\$2.96	\$3.14	\$3.33	\$3.53

OPERATING BUDGET & FORECAST

6-Year Return on Assets



	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Electric	4.29%	4.62%	5.46%	6.27%	6.25%	6.31%
Water	3.46%	3.59%	4.33%	4.60%	5.07%	5.62%
Steam & Hot Water	1.83%	-1.90%	-3.26%	-4.91%	-4.08%	-4.13%
Chilled Water	6.18%	5.95%	6.01%	6.49%	6.22%	6.07%
Total BWL Budget	4.03%	4.09%	4.75%	5.28%	5.37%	5.50%
Target	5.92%	5.92%	5.92%	5.92%	5.92%	5.92%

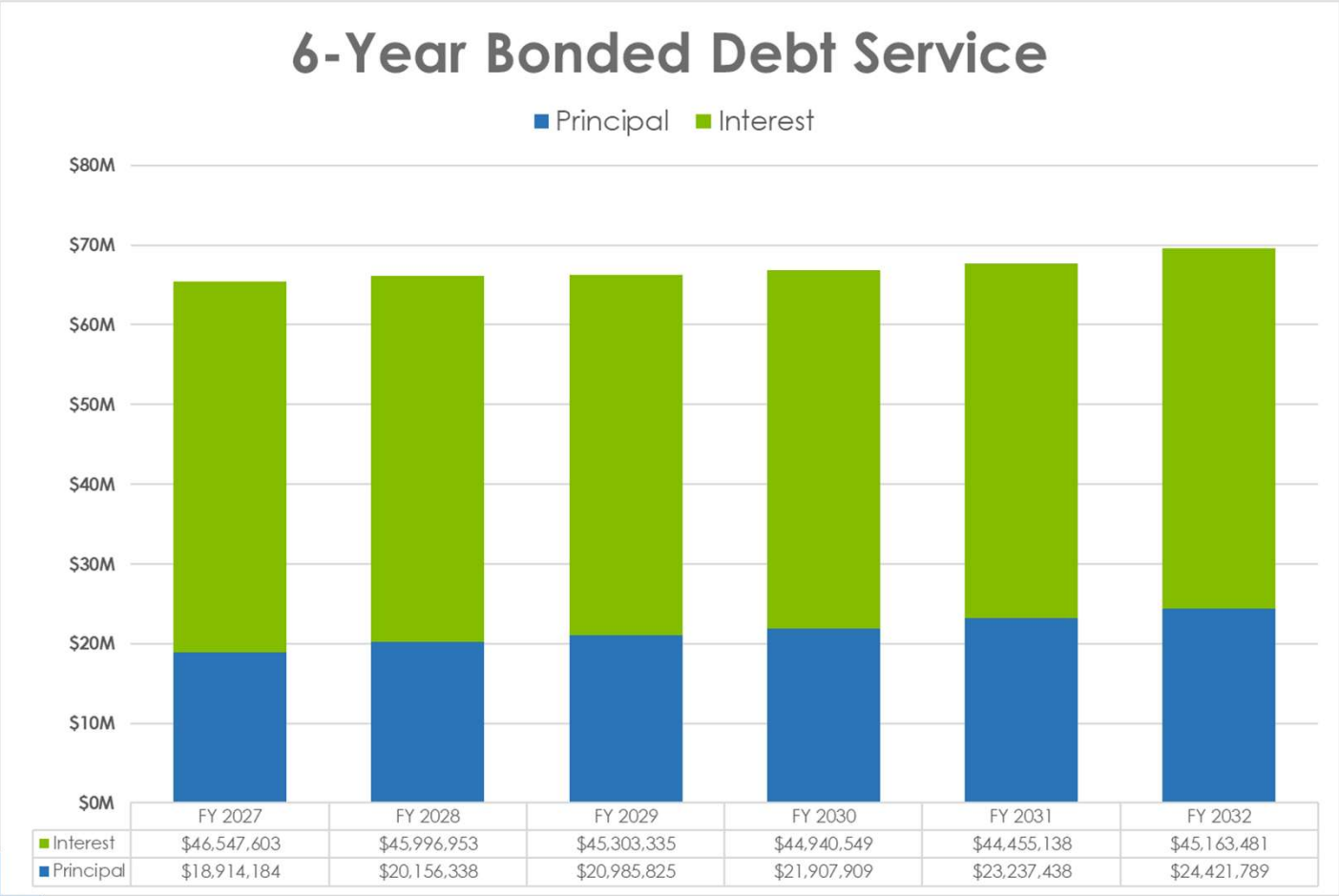
OPERATING BUDGET & FORECAST

6-Year Cash Flow

6-Year Cash Flow	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Beginning Cash (O&M & Receiving Fund)	\$ 125,718,898	\$ 126,139,208	\$ 133,263,044	\$ 167,228,382	\$ 176,266,477	\$ 191,667,624
Net Income	\$ 29,235,891	\$ 31,975,035	\$ 43,169,696	\$ 54,442,563	\$ 58,377,977	\$ 60,684,840
Depreciation	\$ 77,446,284	\$ 78,735,457	\$ 79,221,376	\$ 78,563,858	\$ 80,757,616	\$ 81,980,536
Loss on Disposal of Assets	\$ 2,709,239	\$ 2,759,370	\$ 2,810,660	\$ 3,842,394	\$ 2,746,823	\$ 2,801,751
DB and VEBA	\$ 1,138,928	\$ (775,446)	\$ (519,076)	\$ (137,902)	\$ (1,531)	\$ 138,044
Use of Bond Proceeds	\$ 17,591,308	\$ 8,388,065	\$ 9,558,300	\$ 8,206,407	\$ 11,007,000	\$ 11,547,412
Commodity Cost Adjustment	\$ (3,920,005)	\$ -	\$ -	\$ -	\$ -	\$ -
Tax Credits	\$ -	\$ 8,342,591	\$ 9,722,774	\$ -	\$ -	\$ -
Gas Pipeline Payment Refunds	\$ 10,217,717	\$ -	\$ -	\$ -	\$ -	\$ -
Grants	\$ 9,196,039	\$ 3,343,866	\$ 335,091	\$ -	\$ -	\$ -
Total Sources of Cash	\$ 143,615,401	\$ 132,768,938	\$ 144,298,821	\$ 144,917,320	\$ 152,887,885	\$ 157,152,583
Principal Payments on Bonds	\$ (18,914,184)	\$ (20,156,338)	\$ (20,985,825)	\$ (21,907,909)	\$ (23,237,438)	\$ (24,421,789)
Environmental Projects	\$ 2,072,115	\$ (250,000)	\$ (60,000)	\$ (60,000)	\$ (60,000)	\$ (60,000)
Capital Expenditures	\$ (118,338,382)	\$ (99,166,822)	\$ (83,463,560)	\$ (108,105,370)	\$ (108,352,215)	\$ (102,995,126)
Bond Amortization Adjustment	\$ (5,163,860)	\$ (5,163,860)	\$ (5,163,860)	\$ (5,163,860)	\$ (5,163,860)	\$ (5,163,860)
Other	\$ (2,850,780)	\$ (908,082)	\$ (660,238)	\$ (642,087)	\$ (673,226)	\$ (423,428)
Total Uses of Cash	\$ (143,195,090)	\$ (125,645,102)	\$ (110,333,483)	\$ (135,879,225)	\$ (137,486,739)	\$ (133,064,204)
Net Cash Increase (Decrease)	\$ 420,311	\$ 7,123,836	\$ 33,965,338	\$ 9,038,095	\$ 15,401,147	\$ 24,088,379
Ending Cash (O&M & Receiving Fund)	\$ 126,139,208	\$ 133,263,044	\$ 167,228,382	\$ 176,266,477	\$ 191,667,624	\$ 215,756,003
Days Cash on Hand	177	180	214	213	217	230
Minimum Cash Reserve Requirement	176	174	176	174	170	168

OPERATING BUDGET & FORECAST

6-Year Bonded Debt Service



CAPITAL PORTFOLIO – BUDGET & FORECAST

New & Renewable Energy

Project	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	Forecast Total*
DEP 2 (RICE)	\$ 1,840,752	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,840,752
DEP Storage / Transformer	\$ 615,056	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 615,056
DEP Solar	\$ 7,675,093	\$ 10,640,604	\$ -	\$ -	\$ -	\$ -	\$ 18,315,697
Comfort Landfill Solar	\$ 4,782,853	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,782,853
Lake Lansing Solar	\$ 1,381,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,381,673
Watertown Solar 1 / Replacement	\$ 7,546,256	\$ 3,716,781	\$ -	\$ -	\$ -	\$ -	\$ 11,263,037
Watertown Solar 2 / Replacement	\$ 8,015,072	\$ 1,685,994	\$ -	\$ -	\$ -	\$ -	\$ 9,701,066
Total	\$ 31,856,755	\$ 16,043,379	\$ -	\$ -	\$ -	\$ -	\$ 47,900,134

*Gross capital spend, not including any Contribution in Aid of Construction (CIAC), Grants, or tax credits

*Figures reflect Phase 1 projects only, exclude pre-forecast expenditures: additional new energy projects may be identified through Integrated Resource Planning and strategic planning processes.

*Tax credits, which are not included in the amounts above, are projected to be 22-30% of eligible costs

CAPITAL PORTFOLIO – BUDGET & FORECAST

Hot Water Conversion

System Area	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	Forecast Total*
Distribution Transmission	\$ 618,000	\$ 3,814,000	\$ 2,993,000	\$ 2,005,000	\$ 2,774,000	\$ 3,067,000	\$ 15,271,000
Distribution Services	\$ 308,000	\$ 1,547,000	\$ 1,340,000	\$ 766,000	\$ 1,446,000	\$ 943,000	\$ 6,350,000
Production	\$ 3,213,504	\$ -	\$ 1,138,500	\$ 1,138,500	\$ 3,217,000	\$ 3,217,000	\$ 11,924,504
Total	\$ 4,139,504	\$ 5,361,000	\$ 5,471,500	\$ 3,909,500	\$ 7,437,000	\$ 7,227,000	\$ 33,545,504
*Gross capital spend, not including any Contribution in Aid of Construction (CIAC), Grants, or tax credits							
*The amounts shown above exclude amounts expended prior to and/or following the forecast period							

CAPITAL PORTFOLIO – BUDGET & FORECAST

Other Capital Projects by Utility and Location

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	Forecast Total
Utility							
Electric	\$ 47,261,657	\$ 44,707,042	\$ 43,977,701	\$ 68,844,441	\$ 52,974,546	\$ 51,748,639	\$ 309,514,026
Water	\$ 18,498,469	\$ 19,667,556	\$ 26,422,445	\$ 27,197,801	\$ 26,759,079	\$ 25,838,186	\$ 144,383,536
Steam	\$ 2,067,000	\$ 2,070,000	\$ 2,073,000	\$ 2,076,000	\$ 2,079,000	\$ 2,082,000	\$ 12,447,000
Chilled Water	\$ 52,008	\$ 53,069	\$ 54,594	\$ 54,594	\$ 67,000	\$ 70,000	\$ 351,265
Common	\$ 9,034,756	\$ 10,988,202	\$ 5,498,269	\$ 13,221,287	\$ 16,278,646	\$ 12,267,384	\$ 67,288,544
Contingency	\$ 190,135	\$ -	\$ 151,379	\$ 151,379	\$ 622,423	\$ 2,793,475	\$ 3,908,791
Total Capital Portfolio	\$ 77,104,025	\$ 77,485,869	\$ 78,177,388	\$ 111,545,502	\$ 98,780,694	\$ 94,799,684	\$ 537,893,162
Location							
REO Plant	\$ 2,800,000	\$ 2,919,598	\$ 5,933,781	\$ 531,968	\$ 10,000,000	\$ 15,300,000	\$ 37,485,347
Delta Energy Park	\$ 1,177,000	\$ 1,127,500	\$ -	\$ 30,600,000	\$ -	\$ 7,800,000	\$ 40,704,500
DEP 2 (RICE) Plant	\$ 1,908,560	\$ -	\$ -	\$ -	\$ 5,618,652	\$ -	\$ 7,527,212
Water Production	\$ 4,210,970	\$ 7,432,086	\$ 11,188,513	\$ 10,574,455	\$ 11,774,579	\$ 9,390,352	\$ 54,570,955
Electric T&D	\$ 41,369,975	\$ 40,659,944	\$ 38,043,920	\$ 37,712,473	\$ 37,355,894	\$ 28,448,639	\$ 223,590,845
Water T&D	\$ 14,287,499	\$ 12,235,470	\$ 15,233,932	\$ 16,623,346	\$ 14,984,500	\$ 16,447,834	\$ 89,812,581
Steam T&D	\$ 2,067,000	\$ 2,070,000	\$ 2,073,000	\$ 2,076,000	\$ 2,079,000	\$ 2,082,000	\$ 12,447,000
Chilled Water T&D	\$ 52,008	\$ 53,069	\$ 54,594	\$ 54,594	\$ 67,000	\$ 70,000	\$ 351,265
Other	\$ 9,231,013	\$ 10,988,202	\$ 5,649,648	\$ 13,372,666	\$ 16,901,069	\$ 15,260,859	\$ 71,403,457
Total Capital Portfolio	\$ 77,104,025	\$ 77,485,869	\$ 78,177,388	\$ 111,545,502	\$ 98,780,694	\$ 94,799,684	\$ 537,893,162
*Net capital spend, including Contribution in Aid of Construction (CIAC) or Grants							

CAPITAL PORTFOLIO – BUDGET & FORECAST

Major Projects and Annuals within Other Capital Projects

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	Forecast Total
Planned Projects							
Stanley Substation - Construct a New 138kV Sub (LET)	\$ 750,000	\$ 4,000,000	\$ 3,724,285	\$ 15,440,000	\$ 12,633,915		\$ 36,548,200
Rundle Substation - Construct a New 138kV Sub (LET)	\$ 860,000	\$ 11,567,265	\$ 11,397,400				\$ 23,824,665
LGR Substation (LET)	\$ 16,573,210	\$ 3,385,128					\$ 19,958,338
SAP Replacement				\$ 5,945,000	\$ 9,426,000	\$ 174,000	\$ 15,545,000
DEP CTG 2 C Inspection				\$ 15,300,000			\$ 15,300,000
DEP CTG 3 C Inspection				\$ 15,300,000			\$ 15,300,000
DEP 2 (RICE) Overhauls - (Wartsila LTSA)	\$ 1,908,560				\$ 5,618,652		\$ 7,527,212
REO - Control System Upgrades		\$ 35,598	\$ 5,933,781	\$ 531,968			\$ 6,501,347
Stanley Substation - Distribution (LET)	\$ 100,000		\$ 510,000	\$ 1,000,000	\$ 3,000,000		\$ 4,610,000
Utility Network Implementation	\$ 1,227,324	\$ 3,238,175	\$ 65,554				\$ 4,531,053
Total Major Planned Projects	\$ 21,419,094	\$ 22,226,166	\$ 21,631,020	\$ 53,516,968	\$ 30,678,567	\$ 174,000	\$149,645,815
Annual Projects ¹							
Electric ²	\$ 23,722,304	\$ 22,338,152	\$ 20,567,778	\$ 21,088,910	\$ 31,721,979	\$ 35,218,639	\$ 154,657,762
Water ³	\$ 16,395,858	\$ 15,325,795	\$ 18,036,423	\$ 20,592,033	\$ 20,019,965	\$ 20,603,464	\$ 110,973,538
Steam	\$ 2,067,000	\$ 2,070,000	\$ 2,073,000	\$ 2,076,000	\$ 2,079,000	\$ 2,082,000	\$ 12,447,000
Chilled Water	\$ 52,008	\$ 53,069	\$ 54,594	\$ 54,594	\$ 67,000	\$ 70,000	\$ 351,265
Common	\$ 6,085,631	\$ 6,519,433	\$ 5,432,715	\$ 7,276,287	\$ 6,852,646	\$ 8,813,384	\$ 40,980,096
Total Annual Projects	\$ 48,322,801	\$ 46,306,449	\$ 46,164,510	\$ 51,087,824	\$ 60,740,590	\$ 66,787,487	\$319,409,661
*The amounts shown above exclude amounts expended prior to and/or following the forecast period (LET) - Projects support the Lansing Energy Tomorrow initiative ² Electric annuals average \$15.3M per year for T&D Systems, Services & Line Extensions, Street, Building & Outdoor Lighting ¹ Annual projects have some level of spending each year ³ Water annuals average \$13.9M per year for CSO Main Improvements							

10 Largest Planned Projects make up 70% of Total Planned Capital

Next Steps



November 2025 – February 2026

- Budget Process Start
- Set Financial Targets
- Prepare Capital Budget
- Request Department Budgets
- Revenue Projections



March 2026 – April 2026

- Compile Budget & Forecast
- Internal Review and Approval



May 2026

- Finance Committee to approve the Operating and Capital Budget & Forecast for FY 2027 – 2032 and recommend it for the Board of Commissioners' approval on May 19, 2026.
- Board of Commissioners to approve, Corporate Secretary to file FY27 budget with the City Clerk within 10 days of approval and submit the Capital Improvement Plans for FY 2027 – 2032 to the Mayor prior to October 1, 2026.



THANK
YOU

RESOLUTION 2026-05-XX
Fiscal Year 2027-2032 Budget and Forecast

RESOLVED, that the Annual Operating and Capital Budget covering Fiscal Year 2027 is hereby approved as presented; and

RESOLVED, that the Operating and Capital Forecast for the Fiscal Years 2028-2032 is hereby accepted as presented; and

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

Staff Comments:

Staff recommends an operating and maintenance budget of \$425.8M and a capital budget of \$113.1M for Fiscal Year 2027.

The Operating and Capital Budget and Forecast for Fiscal Years 2027-2032 includes forecasted rate increases. The forecasted rate increases are subject to revision and, in any case, prior to implementation, must be subject to the BWL's formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL's authority to set just and reasonable rates and defines the public hearing process.

In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5 and Section 5-203.6, staff recommends the Finance Committee approve the budget and forecast for presentation and adoption by the Board at its May 19, 2026 board meeting.

Motion by Commissioner_____, **Seconded** by Commissioner _____, to approve the Resolution for the Fiscal Year 2027-2032 Budget and Forecast at a Board meeting held on

Action: _____.

FY 2026 Billing Audit Results

Presented by:

Elisha Franco, Director of Internal Audit



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Audit Scope & Methodology

- The **audit scope** was to assess the effectiveness and accuracy of the Billing process, with a specific focus on the integration and operational performance of the Advanced Metering Infrastructure (“AMI”) program in supporting timely and reliable customer billing.
- Audit procedures, documents, and data were reviewed from January 7, 2026, to March 5, 2026.
- The audit was carried out in compliance with the **Global Internal Audit Standards**.

Audit Objectives

- Review operational processes for billing execution and exception management to determine whether rates, billing cycles, adjustments, and error handling are performed timely and consistently, with appropriate approvals and documentation. Additionally, confirm that billing execution is recorded in the correct accounting period.
- Evaluate processes for collecting and validating meter data for customers with AMI meters and without AMI meters to determine whether they support timely and accurate billing.
- Assess the effectiveness of communication practices within the billing process to ensure accurate and timely information is provided to stakeholders.

Audit Sampling Methodology



Sample selection was performed using a haphazard approach by using UMAX filters to broaden coverage across customer populations.



This methodology was designed to confirm that bills were calculated correctly for the customer's assigned service type and billing cycle.

Audit Themes

Number	Area	Theme
1	Limited Customer Experience Tracking	Customer billing inquiries and dispute resolution are handled in practice, but the absence of defined KPIs, turnaround targets, and escalation thresholds limits management's visibility into timeliness, workload, and emerging issues.
2	Outdated Governance and Exception Thresholds	Billing and AML exception management practices have remained largely unchanged since implementation, creating an opportunity to reassess alignment with current expectations.



Audit Findings

One medium-risk finding was identified: Incorrect Opt-Out Fee for Water-Only Customers

- Beginning in October 2025, water-only opt-out customers were billed an incorrect smart meter opt-out fee due to an error in the finalized Rules and Regulations.*

One low-risk finding was identified: Customer Billed Incorrect Opt-Out Fee

- A customer was charged the wrong opt-out fee due to an incorrect configuration in UMAX.

*12 water-only opt-out customers were charged a \$15 dollar monthly opt-out fee, rather than \$30.



Audit Process Improvement Recommendations

Four process improvement recommendations were identified:

- Establish formal performance metrics for customer billing inquiries and dispute resolution, including defined turnaround times and escalation thresholds.
- Implement a recurring review process to reassess billing exception thresholds and validation rules.
- Develop and implement a formal, end-to-end customer complaint investigation process, including defined workflows, documentation standards in UMAX, and escalation criteria.
- Strengthen vendor oversight by obtaining and reviewing SOC 1 and/or SOC 2 reports from Leidos to assess controls over AML data and systems.

General Opinion

Overall opinion rating of **Sufficient**:

- No critical or high-level risk areas were identified. Controls are generally effective, with minor improvements needed and limited risk exposure.
- Some management effort is required to correct the findings.

Internal Audit Status Report



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Finance Committee Meeting

May 2026

Overview

- Audit Update
- Issue Status Update
- FY 2026 Audit Work Plan
- Other Items

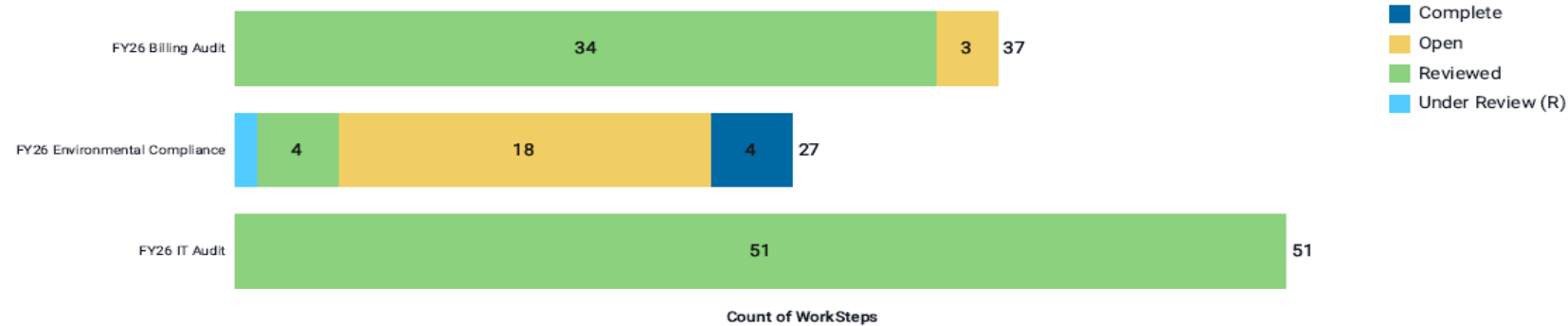
Audit Update

Total Worksteps
116

Percent (%) In Progress / Not Begun
18.26%

Percent (%) Complete
81.74%

Audit Status



Complete: WorkStep has been completed, pending review

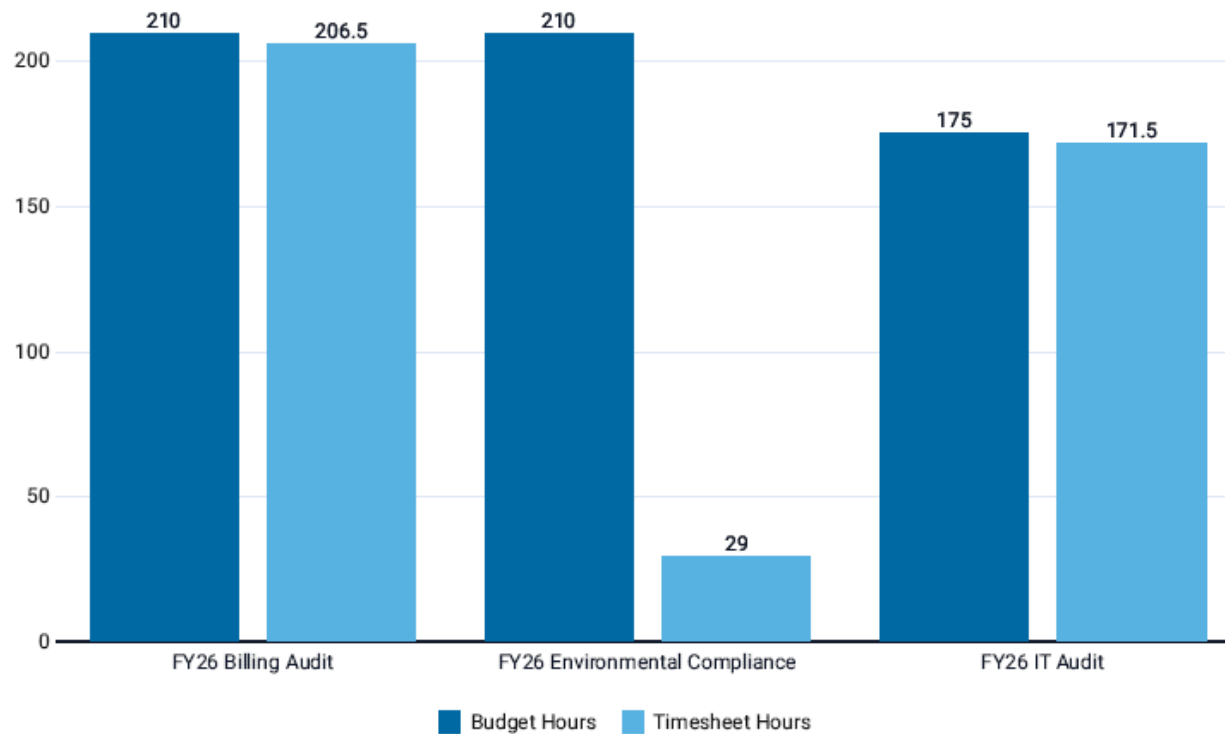
Open: WorkStep is pending completion

Reviewed: WorkStep has been completed and fully reviewed

Under Review (R): WorkStep is undergoing review

Audit Update

Budget vs. Timesheets



3

Audits Under Budget or On Track

0

Audits Over Budget or At Risk

Issue Status Update

Issue Status by Audit



Closed: Issue has been fully remediated and reviewed by Internal Audit

Pending Remediation: Issue is pending Management's remediation

FY 2026 Audit Plan



Payroll

- July 2025- October 2025
- Report Final

Disaster Recovery

- August 2025- September 2025
- Report Final

IT Audit (Data Security Assessment)

- October 2025- November 2025
- Report Final

Penetration Testing

- November 2025- December 2025
- Report Final

Billing Audit

- January 2026-March 2026
- Report Final

Environmental Compliance

- March 2026- June 2026
- Audit kick-off held on March 11, 2026.

Other Items

Department Items

COSO Corporate Governance and Board Oversight:

- The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a globally recognized body that provides frameworks and guidance to improve governance, risk management, internal control, and fraud prevention
 - Best known for its Internal Control Framework, which is utilized by BWL
- A recent publication introduced 12 new guiding principles tailored to board-level responsibilities
- Additional details will be provided to the Commissioners via executive summary

Other Items

Department Items

FY 2027 Risk Assessment and Work Plan:

- The FY 2027 risk assessment is underway; results will assist in developing our FY2027 Internal Audit Work Plan
- The FY 2027 Internal Audit Work Plan will be presented in the July Finance Committee meeting

Institute of Internal Auditors Lansing Chapter:

- The Director of Internal Audit was elected as Senior Vice President to the Lansing Chapter of the Institute of Internal Auditors (IIA)
- The role is a two-year term

Other Items

Department Items

Internal Audit Status Highlights:

- In addition to bi-monthly Internal Audit status presentations at Finance Committee meetings, Internal Audit will provide newsletter-style updates to Commissioners during off months.
- This is to ensure the Commissioners stay updated with recent news from the Internal Audit Department

Internal Audit Staff:

- The department's intern will start on May 11