



MINUTES OF THE BOARD OF COMMISSIONERS MEETING

LANSING BOARD OF WATER AND LIGHT

May 23, 2017

The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, May 23, 2017.

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

Present: Commissioners Dennis M. Louney, Anthony McCloud, Tony Mullen, David Price, and Sandra Zerkle. Non-Voting Commissioners present: Stuart Goodrich (arrived @5:53 p.m.) (Delhi Township), Bill Long (Delta Township) and Bob Nelson (East Lansing).

Absent: Commissioner Tracy Thomas

The Corporate Secretary declared a quorum.

Commissioner Graham led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to approve the Regular Board Meeting minutes of March 28, 2017.

Action: Motion Carried

PUBLIC COMMENTS

None.

COMMUNICATIONS

Electronic Mail received From or Re:

- a. LaSandra Jones regarding Outside Personal Protection Light-Referred to Management-Received and Placed on File
- b. The 24th Annual Adopt A River Event-Received and Placed on File
- c. Michael VanLeeuwenn regarding BWL's E-Payment System -Referred to Management-Received and Placed on File

COMMITTEE REPORTS

HUMAN RESOURCES COMMITTEE

Meeting Minutes

May 23, 2017

The Human Resources Committee (HR) of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, May 23, 2017.

Human Resources Committee Chairperson Sandra Zerkle called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Anthony McCloud, Tony Mullen. Also, present: Commissioners Beth Graham; and Non-Voting Commissioners Stuart Goodrich and Robert Nelson.

Public Comments

None

Approval of Minutes

Motion by Commissioner Mullen, Seconded by Commissioner McCloud, to approve the Human Resources Committee meeting minutes of January 10, 2017.

Action: Motion Carried.

Discussion re: Charter Appointed Employees Evaluation Process

Human Resources (HR) Chair Sandra Zerkle led the discussion on the evaluation process for the three employees. The HR and Board Chair agreed to be charged with the task of working with the appointed employees, on behalf of the Board of Commissioners, on their respective annual merit considerations.

HR Chair Zerkle explained that although the evaluations are easier to do electronically, this year they were printed and handed out as some words were omitted in the electronic preparation process. She informed the Committee that the next HR meeting would take place on June 27, 2017 to review the appointees' evaluations.

Other

None

Public Comments

None

Excused Absence

Motion by Commissioner McCloud, Seconded by Commissioner Mullen, to excuse Commissioner Thomas from tonight's meeting.

Adjourn

With **Motion** by Commissioner McCloud, Seconded by Commissioner Mullen, the meeting adjourned at 5:16 p.m.

Respectfully Submitted,
Sandra Zerkle, Chair
Human Resources Committee

COMMITTEE OF THE WHOLE
Meeting Minutes
May 9, 2017

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, May 9, 2017.

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

Present: Commissioners Beth Graham, Tony Mullen, Dennis M. Louney, David Price and Sandra Zerkle and Non-Voting Members: Stuart Goodrich (Delhi), William Long (Delta Township) and Robert Nelson (East Lansing).

Absent: Commissioners Anthony McCloud, Ken Ross and Tracy Thomas.

The Corporate Secretary declared a quorum.

Committee of the Whole Chair Mullen welcomed new Commissioner Beth Graham representing the 2nd Ward.

Public Comments

None

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Zerkle to approve the Committee of the Whole meeting minutes of March 14, 2017.

Action: Motion Carried

Governance Policy Resolution

Board Chair David Price thanked Legal Counsel Ekren for her assistance with the Resolution for the Governance Policy that is being presented today. Chair Price stated that it is a concern of volunteer organizations that are governed by Board members that Board members know the parameters of what is required of a Board member and a job description helps to ensure the success of Boards. The proposed Governance Policy provides specifics about the role of the Board and the relationship to the three employees and members of the Board of Water and Light.

Following a discussion regarding the proposed Resolution the following motion was made:

Motion by Commissioner Price to forward the proposed Resolution for the Governance Policy to the full board for consideration.

Motion by Commissioner Zerkle to lay on the table the discussed motion, **Seconded** by Commissioner Mullen.

Discussion: In summary, it was determined that further clarification was needed and that the proposed Resolution will be forwarded to Commissioners in Word format to allow for changes and suggestions to be incorporated (redlined) into the document. The document would then be returned to the Committee Chair who will bring the recommendations/suggestions back to the Committee for review and consideration.

Committee of the Whole Chair Mullen stated for the record *“This is an answer to a problem. This is not an answer in search of a problem. I know of circumstances where this was needed to be written down. We may want to rewrite some of these with the help of our Legal Counsel, but something like this Governance memo or a revision of our rules—which would have to be approved by the City Council, and which would be difficult—needs to be put in writing. We have a problem which we need to resolve. I would like to continue on something not discussed so far, and that is the problem could be construed as respect.”* Commissioner Price added that one of the things that he has noticed about this organization and its employees is the incredible respect the employees have toward commissioners.

Action: Motion Carried

Energy Optimization and Renewable Portfolio Annual Report

Sue Warren, Manager of the Energy and Eco Strategies Department, provided the Committee with the Annual Renewable Energy and Energy Optimization Update. This report is a Public Act requirement imposed by the State of Michigan’s Public Service Commission (MPSC).

Ms. Warren stated that according to Public Act 295, the BWL is required to provide an annual report to its governing body, MPSC and the BWL Customers. The said report will be provided to customers in the July Connections.

Energy Optimization 2016 Programs

- Services for Low Income Customers
- Residential Programs
 - High Efficiency Lighting
 - Appliance Turn-in & Recycling
 - Multi-Family Services
 - Energy Star Products/Equipment
- Business Programs
 - Prescriptive & Custom Incentives
 - Energy Education Services
 - Pilot programs

Program Highlights

- Education in the Community
 - Attended 48 local events
 - Staff did 17 presentations to community groups
 - Think! Energy (school program with Consumers Energy)
- Pilot Programs
 - Non Profit Grant
 - 14 Nonprofit organizations participated
 - Smart Thermostat Program
 - Installed 71 thermostats in 2016
 - Michigan Saves Low Interest Financing (with CE)
 - Residential— 0% for \$1,000-\$30,000 loans for up to 4 years
 - Funded 12 loans in 2016

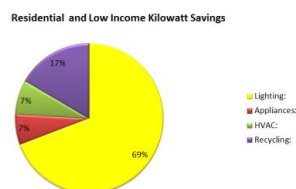
Ms. Warren reviewed the Energy Optimization Summary. Blue is the 2016 goals, the kilowatt hours savings are on the left hand side, and the program budget is on the right. The actual is in the orange color. She stated that we met or exceeded our goals and were at 118% of our kilowatt goals and used only 92% of budgeted money.

Energy Optimization Summary

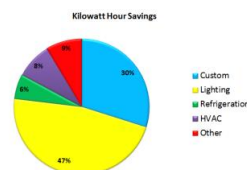
Program Portfolio	2016 Goals		2016 Actual	
	Gross First Year kWh Savings	Program Budget	Gross First Year kWh Savings	Program Budget
Low Income Services	425,815	\$213,875	649,543	\$218,940
Residential Programs	5,606,248	\$1,250,209	5,615,631	\$1,154,983
Business Services	16,151,740	\$2,517,342	19,901,755	\$2,312,594
Total Program Portfolio	22,183,803	\$3,981,426	26,166,929	\$3,686,517
Program Administration		\$374,639		\$355,912
Evaluation (EM&V)		\$320,564		\$249,611
ANNUAL TOTALS	22,183,803	\$4,676,629	26,166,929	\$4,292,040

The pie chart below indicates what kind of measures the residential and Business customers have chosen to do to achieve the kilowatt hours savings that have been attained from 2009 to 2016.

Residential Summary 2009-2016

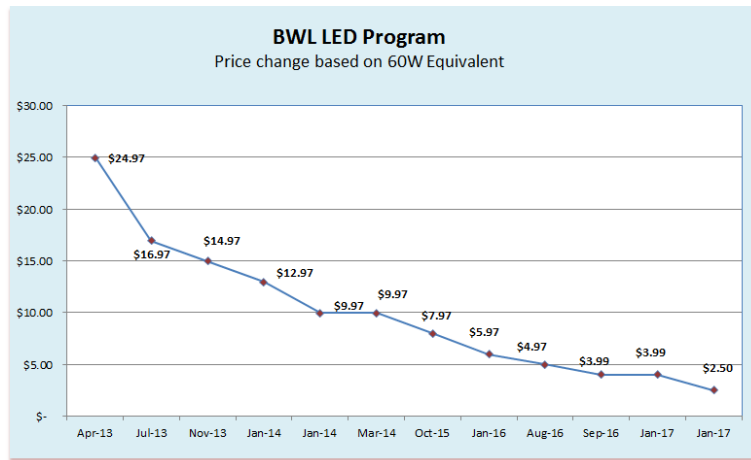


Business Summary 2009-2016



Ms. Warren stated that the majority of the energy savings comes from lighting. A lot of that is due to the pricing of LED's. The slide below shows LED price reduction, which have come into the market and become very affordable, and to which customers can transition.

LED Price Reductions



Ms. Warren indicated that some changes will need to be made due to the energy savings being based on incandescent vs LED's, and savings between a compact fluorescent bulb and a LED bulb are not as large as they used to be. BWL has hired Morgan Marketing Partners, who does most of the energy optimization plans for all the utilities in the state of Michigan, to help implement a new cost saving plan to be effective for 2018-2020.

Annual Renewable Energy Update

Under Public Act 295 all utilities had to have 10% renewable energy in their portfolio by 2015. The Board of Water and Light is in compliance with both the renewable energy and its inventory Earned Renewable Energy Credits (EREC's.) New legislation does change slightly. The renewable energy number is increased to 12.5% in 2019 and 2020 and then increases to 15% in 2021. With our plan developments, and due to the ability to carry forward renewable energy credits, the BWL will not need any additional renewable energy to meet compliance with Public Act 342.

BWL's current energy portfolio consists of the purchase of energy and Renewable Energy Credits for landfill gas from Granger, Tower Kleber Hydro, and wind from Exelon. In addition, the BWL owns a solar array on Cedar Street and a small array located on the roof of the BWL's REO Headquarters facility. BWL does have a hydro plant which is not operating right now but is under review.

At the conclusion of Ms. Warren's presentation, General Manager Peffley provided additional information on the progress of the BWL's renewable energy program. He indicated that the BWL's Purchase Power Agreement (PPA) for 85 Mw of wind energy in Huron County, while receiving initial permits, was defeated in an early May County referendum. He also indicated that the wind developer was working on another site in the Thumb area of Michigan to replace the 85 Mw defeated by the referendum.

Mr. Peffley included that the next renewable project will be a solar installation. According to the General Manager, solar and the energy efficiency program will help reduce peak load and assist in the design of a smaller generating plant. He stated that the BWL had multiple options to meet its renewable goals of 30% clean energy by 2020 and 40% clean energy by 2030.

Smart Meter Communications ToolKit

Executive Director Stephen Serkaian introduced Communications Coordinator Amy Adamy and Community Relations Coordinator Annie Rzepecki who presented a brief overview of the new smart meter program and the communication

toolkit available for distribution to the public. The presentation covered what are smart meters, future benefits of the program, and possible concerns from customers. The BSmart FAQ Booklet, brochure and business card were handed out to each commissioner to provide further details about the smart metering program. Following the discussion, it was suggested to include closed captioning on the smart meter video.

What is a Smart Grid?

As technology advances, new tools and techniques can be implemented to help electric and water grids run more efficiently. A smart grid is a way to monitor electric and water distribution networks.

Previous meter-reading solutions only allowed "one-way" communication. The new Smart Grid allows for "two-way" communication by creating a network between the meters and the BWL's information systems. Data flowing both ways allows for the BWL to monitor and diagnose problems in the electric and water system. Information gathered through our smart grid will allow for more efficient outage restorations, integration with energy efficiency program, as well as customer visibility and control over individual electricity and water usage.



Other

General Manager Peffley informed the Committee:

The 24th Annual Adopt A River is this weekend.

The Board of Water and Light just completed its three year NERC audit and there were no problems found.

Attorney Client Memorandum Discussion-Closed Session [MCL 15.268(h); MCL 15.243(g)]

Committee of the Whole Chair Tony Mullen stated that the Board has been provided an Attorney Client memorandum and discussion concerning this memo is permitted to occur in closed session as allowed by the open meetings act, specifically mcl 15.268(h) and mcl 15.243(g).

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

Roll Call Vote:

Yeas: Commissioners Stuart Goodrich (Delhi Township), Bill Long (Delta Township), Dennis Louney, Tony Mullen, Bob Nelson (E. Lansing), David Price, Ken Ross, and Sandra Zerkle

Nays: None.

Action: Motion Carried.

The Committee of the Whole went into closed session at 7:08 p.m. and reconvened to open session at 7:27 p.m.

Adjourn

Meeting adjourned at 7:28 p.m.

Respectfully Submitted
Tony Mullen, Chair
Committee of the Whole

FINANCE COMMITTEE
Meeting Minutes
May 16, 2017

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, May 16, 2017.

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

Present: Commissioners Ken Ross, David Price, Dennis M. Louney and Anthony McCloud. Also present: Commissioners Tony Mullen, Sandra Zerkle and Non-Voting Commissioners Stuart Goodrich, William Long and Robert Nelson.

Absent: None.

The Corporate Secretary declared a quorum.

Public Comments

None

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner McCloud, to approve the Finance Committee meeting minutes of March 14, 2017.

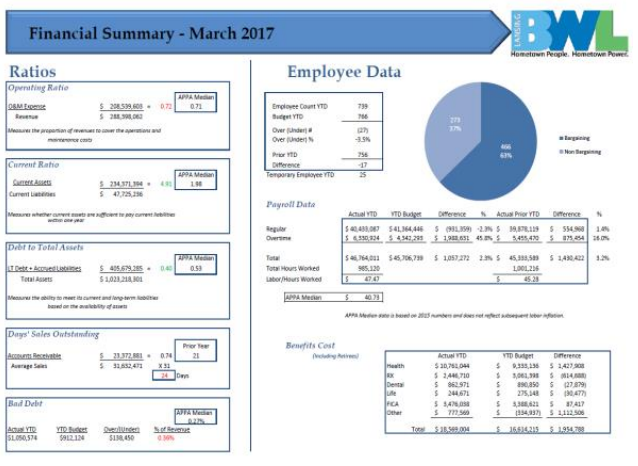
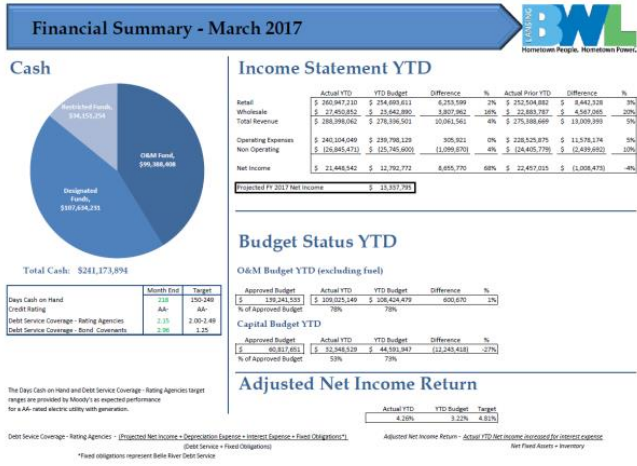
Action: Motion Carried.

External Review of Internal Audits at BWL

Internal Auditor Phil Perkins informed the Finance Committee that the required 5-year review conducted by the Professional Standards of the Institute of Internal Auditors (IIA) is complete and is pleased to announce that our internal audit activity passed the recent review by receiving a rating of “generally conforms” to the IIA Standards which is the highest rating that can be attained. The review was performed by an independent external party with expertise in performing such reviews, and the reviewer spent three days on-site interviewing key personnel and reviewing Internal Audit’s process, procedures, reports, and supporting documentation. Mr. Perkins stated that there will be more details regarding the results of this independent review presented at a future Finance Committee meeting.

March YTD Financial Summary

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



CFO Heather Shawa presented the March Year-to-date Financial Summary which indicated that the Cash target is on track, Days cash on hand is 218, and debt service coverage is 2.15, both slightly improved from the prior month. The Year-to-date net income as of March is \$8.6 million better than budget and the projected fiscal-year-end net income is approximately \$13 million.

April Year-to-date revenues are just over \$317 million, which is \$10 million better than budget. As far as our net income, April Year-to-date we are just shy of \$19 million for net income, which is \$8.2 million better than budget. April is forecasted to be a low sales revenue month and we did have a budget loss of \$2 million; we have \$2.5 million in actual loss, some of which is part of our O&M budget. Year-to-date we are still strong and still project about a \$13 million net income for the fiscal year end.

Commissioner Mullen questioned what was included in the "Other" category of the Benefits Cost. In response, Chief Financial Officer Heather Shawa-DeCook stated that she believed that was the VEBA adjustment. Chair Ross requested CFO Shawa-DeCook provide information on Commissioner Mullen's question.

Commissioner Sandra Zerkle commented that at this time of year the summary shows that we have a lot of money left over in Capital Expenses and suggested that we include a line in the budget that indicates that we still have so many millions of dollars' worth of projects to be completed during the rest of the year. General Manager Peffley agreed with Commissioner Sandra Zerkle's comments and will look into flagging those expenses in the budget.

FY 18 Budget Presentation/Resolution

General Manager Peffley stated that he is very proud of staff. Last year he asked for a 5% cut and this year staff was asked to hold the line. They have answered the call, although it was very tough, and BWL has not sacrificed availability, reliability or safety. He said that we are about to embark on a multiyear rate strategy and he wanted to show that the company has tightened its belt. He said that we can accomplish all the set goals and meet the strategic plan requirements with the presented budget. This budget is 5% lower than it was 2 years ago.

CFO Heather Shawa presented and reviewed the FY 18 Financial Plan as follows:

Sales Volume Forecast

Utility	FY 18 Budget	FY 17 Budget	FY 18 Budget to FY 17 Budget	FY 17 Projected
Electric-Retail (MWh)	2,131,850	2,137,145	(0.25%)	2,174,799
Electric-Wholesale (MWh)	715,840	767,770	(6.8%)	785,756
Electric-Total (MWh)	2,847,690	2,904,915	(2.0%)	2,960,556
Water (ccf)	8,794,943	8,534,134	3.1%	9,022,337
Steam (mlb)	734,136	744,469	(1.4%)	714,802
Chilled Water (tnhrs)	11,134,000	10,288,000	8%	11,952,000

Electric:

- Retail sales volume is relatively unchanged due to our underlying growth rate of approximately 1% being offset by our continued ability to generate 1% energy savings annually through our energy optimization programs.
- Wholesale sales volume is expected to decrease due to reductions in generation at our Eckert plant.

Water:

- Retail sales volume is expected to decline slightly due to continued water conservation efforts. This decrease is offset by increases in wholesale water sales. Delta Township, in particular, is anticipating increased demand in its service territory.

Steam:

- Steam sales volume expectations have been reduced slightly from the prior year to reflect recent, actual experience.

Chilled Water:

- Chilled water sales volume expectations have been increased to reflect recent, actual experience.



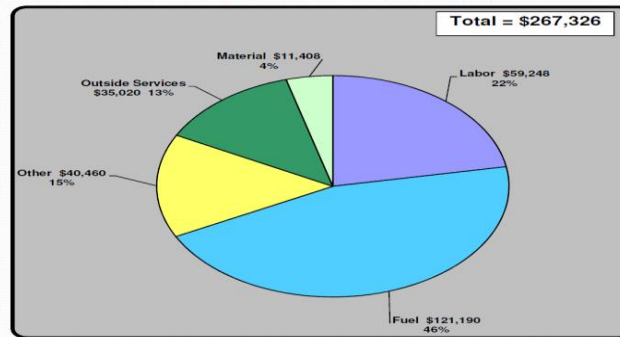
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General Manager Peffley commented that wholesale revenue denotes a reduction in the revenue forecast due to a one unit operation at the Eckert plant, and this is included in the planning for the future.

Commissioner Ross stated in summary that the lack of reliance on the Eckert facility results in less power being sent out into the wholesale market, which ultimately results in less revenue for the BWL over the next couple of years.

FY 2018 O&M Budget by Category

-in \$000's, excludes depreciation



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Chief Financial Officer Heather Shawa stated The FY 2018 O&M expenses (excluding fuel) increased by 5% compared to FY 2017 budgeted O&M expenses; the total FY 2018 O&M expenses decreased by 4% when including an \$18 million decrease in fuel cost. The Forecasted CPI Index is a 2.4% Inflation rate that has been factored in. The FY 2018 budget assumes 756 employees, an increase of 2 from FY 2017 budgeted employees. The FY 2018 budget assumes 18 temporary employees.

General Manager Peffley said it is important to note that this is the first budget that includes succession planning, which is a very expensive process but can no longer be delayed.

CFO Shawa continued the review with the following:

FY 2018 Income Statement by Utility

\$(000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
SALES (MWh, ccf, Mlb, ton-hrs)	2,847,690	8,794,943	734,136	11,134,000	
Retail	\$ 269,569	\$ 36,669	\$ 12,159	\$ 6,037	\$ 324,434
Wholesale	\$ 26,977	\$ 4,033	\$ -	\$ -	\$ 31,010
OPERATING REVENUE	\$ 296,546	\$ 40,702	\$ 12,159	\$ 6,037	\$ 355,444
Operation & Maintenance Expense	\$ (228,749)	\$ (28,737)	\$ (7,120)	\$ (2,720)	\$ (267,326)
Depreciation Expense	\$ (34,224)	\$ (7,340)	\$ (2,826)	\$ (1,489)	\$ (45,879)
OPERATING EXPENSE	\$ (262,973)	\$ (36,077)	\$ (9,946)	\$ (4,209)	\$ (313,205)
OPERATING INCOME	\$ 33,573	\$ 4,625	\$ 2,213	\$ 1,828	\$ 42,239
Return on Equity	\$ (17,498)	\$ (2,376)	\$ (729)	\$ (364)	\$ (20,967)
Other Non-Operating Income	\$ 1,746	\$ 1,219	\$ 76	\$ 51	\$ 3,092
Other Non-Operating Expense	\$ (10,839)	\$ (2,157)	\$ (1,886)	\$ (586)	\$ (15,468)
NET INCOME (LOSS)	\$ 6,982	\$ 1,311	\$ (326)	\$ 929	\$ 8,896
RATE OF RETURN	3.03%	1.38%	2.25%	5.73%	2.60%
BUDGETED RATE INCREASE EFFECTIVE 2/1/18	3.00%	5.50%	5.50%	0.00%	



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The next two slides are comparative income statements based on initial requests from Management and after our strategic alignment and review.

Comparative Income Statement

Based on Initial Requests Prior to Strategic Alignment and Review

in \$000's	FY 2018 Budget	FY 2017 Budget	Increase/Decrease
OPERATING REVENUE	\$ 355,444	\$ 366,415	(8%)
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	67,387	62,507	8%
LABOR TO CAPITAL	(6,000)	(7,250)	(17%)
NET LABOR	61,387	55,257	11%
MATERIAL	11,445	12,357	(7%)
OTHER - including Benefits	38,430	44,131	(13%)
OUTSIDE SERVICE	39,228	27,502	43%
FUELS, WATER CHEMICALS & AMINE	121,190	139,089	(13%)
OPERATIONS AND MAINTENANCE EXPENSE	\$ 278,672	\$ 278,331	(2%)
Depreciation Expense	45,879	43,153	6%
TOTAL OPERATING EXPENSE	\$ 317,551	\$ 321,484	(1%)
OPERATING INCOME	\$ 37,893	\$ 44,931	(16%)
Return on Equity	(20,967)	(22,007)	(5%)
Other Non-Operating Income/(Expense)	(12,376)	(12,810)	(3%)
NET INCOME	\$ 4,550	\$ 10,113	(55%)



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Comparative Income Statement

After Strategic Alignment and Review

in \$000's	FY 2018 Budget	FY 2017 Budget	Increase/Decrease
OPERATING REVENUE	\$ 355,444	\$ 366,415	(8%)
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	66,750	62,507	7%
LABOR TO CAPITAL	(6,500)	(7,250)	(10%)
NET LABOR	60,250	55,257	7%
MATERIAL	11,408	12,357	(8%)
OTHER - including Benefits	40,460	44,131	(9%)
OUTSIDE SERVICE	39,200	27,502	42%
FUELS, WATER CHEMICALS & AMINE	121,190	139,089	(13%)
OPERATIONS AND MAINTENANCE EXPENSE	\$ 267,326	\$ 278,331	(4%)
Depreciation Expense	45,879	43,153	6%
TOTAL OPERATING EXPENSE	\$ 313,205	\$ 321,484	(1%)
OPERATING INCOME	\$ 42,239	\$ 44,931	(6%)
Return on Equity	(20,967)	(22,007)	(5%)
Other Non-Operating Income/(Expense)	(12,376)	(12,810)	(3%)
NET INCOME	\$ 8,896	\$ 10,113	(12%)



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FY 2018 Cash Flow by Utility

\$(000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
BEGINNING OPERATING CASH	58,671	13,061	5,438	3,756	80,926
Sources of Cash					
Net Income	\$ 6,983	\$ 1,311	\$ (326)	\$ 928	\$ 8,896
Depreciation	\$ 34,224	\$ 7,340	\$ 2,826	\$ 1,489	\$ 45,879
Loss on Sale of Assets	\$ 1,547	\$ 266	\$ 101	\$ -	\$ 1,914
Borrowing	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Withdrawal from Construction Reserve	\$ 24,652	\$ 5,490	\$ 2,283	\$ 1,575	\$ 34,000
Fuel Cost Undercollection	\$ 2,663	\$ (141)	\$ (464)	\$ -	\$ 2,058
Net Environmental	\$ 4,444	\$ -	\$ 166	\$ -	\$ 4,610
Pipeline Refund	\$ 2,390	\$ -	\$ 455	\$ -	\$ 2,845
SOURCES OF CASH	\$ 126,903	\$ 14,266	\$ 5,041	\$ 3,992	\$ 150,202
Uses of Cash					
Debt Principal	\$ (5,069)	\$ (2,510)	\$ (1)	\$ (1,525)	\$ (9,105)
Net Capital Expenditures	\$ (115,633)	\$ (12,987)	\$ (9,484)	\$ (1,415)	\$ (139,519)
Renewable Energy & EO Plans	\$ (834)	\$ -	\$ -	\$ -	\$ (834)
Other Uses of Cash	\$ (1,664)	\$ (41)	\$ (17)	\$ (11)	\$ (1,733)
USES OF CASH	\$ (123,200)	\$ (15,538)	\$ (9,502)	\$ (2,951)	\$ (149,711)
Net Cash Increase/(Decrease)	\$ 3,703	\$ (1,272)	\$ (4,461)	\$ 1,041	\$ (91)
ENDING OPERATING CASH	62,374	11,789	977	4,797	80,935



Beginning Operating Cash includes O & M Fund and Receiving Fund only. Designated funds and Restricted Bond Funds not included (\$107.6 and \$34.2 million respectively as of March 31, 2017)

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CFO Shawa pointed out that the \$50 million under Borrowing represents a preliminary estimation of spending for the new gas plant.

CFO Shawa reviewed the budget summary by utility and location:

FY 2018 Capital Budget Summary

Dollars in (000's)

UTILITY		LOCATION	
ELECTRIC	\$ 54,331	ECKERT	\$ 185
WATER	\$ 7,547	ERICKSON	\$ 199
STEAM	\$ 8,730	REG PLANT	\$ 3,000
CHILLED WATER	\$ 450	T&D	\$ 64,583
COMMON	<u>\$ 18,457</u>	DYE/CEDAR	\$ 2,327
*INTERNALLY FUNDED CAPITAL BUDGET	\$ 89,516	CHILLER PLANT	\$ 440
NEW NGCC PLANT	<u>\$ 50,000</u>	MOORE'S PARK	\$ 463
TOTAL CAPITAL BUDGET	\$ 139,516	NEW NGCC PLANT	\$ 50,000
		OTHER	<u>\$ 18,319</u>
		TOTAL CAPITAL BUDGET	\$ 139,516

* This total DOES NOT include the New NGCC (Natural Gas Combined Cycle) Plant

CFO Shawa reviewed the FY 2018 Capital Budget and projects:

FY 2018 Capital Budget – Major Projects/Program

Project Title	Project Total	FY 2018
Planned Projects		
-- New NGCC Plant	TBD	50,000,000
-- Smart Grid Implementation (AMI/MDM)	30,950,000	9,400,000
-- Central Substation	25,000,000	14,335,000
-- Erickson to Willow 138KV Line Extension	22,683,676	18,286,810
-- High Pressure Steam Parallel Supply	5,175,000	5,175,000
-- REG - Rental Standby Steam Boilers	5,040,000	3,000,000
-- EBR Implementation	5,904,000	1,106,711
-- Willow Yard Expansion	4,471,000	3,713,058
-- Erickson Yard Expansion	3,702,000	2,759,508
-- Grosolar Interconnection Project	3,596,675	1,783,365
-- ADMS	3,353,000	868,000
-- Burham 4160V Sub Cutover and Retirement	2,235,000	1,500,000
-- Central Sub - Distribution	1,600,000	30,000
-- Infrastructure Deep Dive Execution	1,500,000	1,500,000
-- Asset Mgmt - CityWorks Implementation	1,500,000	250,000
-- Caliner Bldg. Unit Sub. Replacement	1,006,800	1,806,800
-- MSP - Timber Gate Trunkon Pin Replacement	1,098,000	163,300
-- IT - Enterprise Service Bus	1,055,000	1,055,000
-- IT - Mainframe Migration and Transition	1,000,000	500,000
Capital Spending - Major Planned Projects		110,760,642
% of \$139.5M Requested Capital Budget		84%
Annual Projects		
--- Electric - Services & Line Extensions	15,711,526	2,000,000
--- Electric - I & O Systems	16,127,948	2,349,000
--- Electric - Street, Building & Outdoor Protective Lighting	11,662,827	1,835,000
--- Water - System Improvement	13,098,000	2,364,000
--- Common - Fleet Vehicles & Equipment	10,186,289	1,603,000
--- Water - Street Reconstruction	6,370,000	922,628
Capital Spending - Annual Projects		11,293,628
% of \$139.5M Requested Capital Budget		8%
FY 2018 Capital Spending - Major Projects		128,054,270
% of \$139.5M Requested Capital Budget		92%

--- These projects support the retirement of Eckert.
 --- These represent the major EIT projects.
 --- Annual projects have some level of spending each year.
 --- The project total represents 6 year spending.

In conclusion, Ms. Shawa requested that the Board approve the FY18 budget and forward it to the full Board for consideration at the May 23, 2017 Regular Board meeting. She stated that the Charter calls for the budget adoption by June 1, 2017. Once the budget is approved it will be filed with the City Clerk within 10 days upon approval.

Motion by Commissioner Price, Seconded by Commissioner McCloud to forward the FY 2018 Financial Plan to the full Board for consideration.

Action: Motion Carried

Other
None

Adjourn

On Motion by Commissioner Price, Seconded by Commissioner Louney, the meeting adjourned at 5:44 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

RESOLUTION 2017-05-01

East Lansing Electric Franchise

WHEREAS, The Lansing Board of Water and Light (BWL) or its predecessor has served the City of East Lansing before and since its incorporation; and

WHEREAS, in May of 2016, the City of East Lansing asked the BWL to collect and remit a Franchise Fee equivalent to 5% of utility sales within the City of East Lansing; and

WHEREAS, The City of East Lansing desired to have the same Franchise Fee arrangement as any other municipality served by the BWL; and

WHEREAS, the Franchise Fee for other municipalities is collected directly and solely from each municipality's BWL customers and passed onto the respective municipality; and

WHEREAS, the BWL desires to honor the City of East Lansing's request without forgoing any other rights it has as a matter of law; and

WHEREAS, representatives from both the City of East Lansing and BWL have negotiated in good faith a mutually acceptable East Lansing Franchise Agreement as memorialized in an Ordinance to be approved by East Lansing City Council, attached hereto as Attachment 1; and

NOW, THEREFORE, BE IT RESOLVED, that the BWL Board of Commissioners hereby authorizes the BWL to implement the East Lansing Franchise Agreement as specifically memorialized in the Ordinance as attached hereto as Attachment 1.

Motion by Commissioner Ross, Seconded by Commissioner Mullen, to approve Resolution for the E. Lansing Franchise Agreement.

Discussion:

East Lansing Mayor Mark Meadows thanked the Board of Water and Light for their work with East Lansing on Resolution for the Franchise.

GM Peffley stated that at the November 8, 2016 Finance Committee a request was brought forth that was made by East Lansing to implement a franchise agreement. Four items emerged that needed to be accomplished: (1) East Lansing would provide the BWL with a legal opinion confirming a franchise fee can be assessed; (2) BWL

will need an agreement with East Lansing to reimburse the BWL for all costs for defending against a third party claim associated with the franchise fee; (3) East Lansing will be requesting a franchise fee from Consumers Energy and requests that both agreements should start concurrently; (4) BWL will require an opportunity to review the legal opinion confirming a franchise fee can be assessed before they will enter into a franchise agreement with East Lansing. East Lansing has met (1), (2), and (4). Mr. Peffley said that he would like to offer an amendment. Through negotiations with the East Lansing manager, George Lahanas, and his staff, in lieu of a Consumers Energy franchise fee, East Lansing has granted BWL an exclusive franchise fee for all future development in the BWL service territory.

Action: Motion Carried.

Additional Comments regarding the East Lansing Franchise Agreement:

There was discussion regarding the service territory map that was provided by General Manager Peffley.

Commissioner Ross commended the strong indemnification language provided by Legal Counsel Brandie Ekren that is in the interests of the BWL. Commissioner Ross asked for confirmation on whether the area of tree trimming is expanded or contracted in East Lansing.

In response BWL Legal Counsel Brandie Ekren responded that it neither expands nor contracts the amount of tree trimming. It underlines and outlines in a city ordinance the BWL's right to trim for the purposes of maintaining its business.

Commissioner Ross also asked about the section that deals with liability and whether new wires will be run, or new poles; and will it expand or contract BWL's liability, or will it be the same liability as for our current infrastructure.

In response Ms. Ekren responded that the liability would be the ordinary liability assumed and is limited to construction and maintenance activity which improve infrastructure and major construction projects.

Attachment 1- East Lansing Electric Franchise

CITY OF EAST LANSING

ORDINANCE NO. _____

LANSING BOARD OF WATER AND LIGHT ELECTRIC FRANCHISE
ORDINANCE

AN ORDINANCE, granting to LANSING BOARD OF WATER AND LIGHT, its successors and assigns, the right, power and authority to, in the defined service area, construct, maintain and commercially use electric lines consisting of towers, masts, poles, crossarms, guys, braces, feeders, transmission and distribution wires, transformers and other electrical appliances on, under, along and across the highways, streets, alleys, bridges, waterways, and other public places, and to do a local electric business in the defined service area in the CITY OF EAST LANSING, INGHAM AND CLINTON COUNTIES, MICHIGAN, for a period of thirty years.

THE CITY OF EAST LANSING ORDAINS:

SECTION 1. GRANT, TERM. The CITY OF EAST LANSING, INGHAM AND CLINTON COUNTIES, MICHIGAN, hereinafter City, hereby affirms the right, power and authority to the Lansing Board of Water and Light, a municipally owned utility, its successors and assigns, hereinafter called the "Grantee," to, in the defined service area, construct, maintain and commercially use electric lines consisting of towers, masts, poles, crossarms, guys, braces, feeders, transmission and distribution wires, transformers and other electrical appliances, hereinafter referred to collectively as electric lines, for the purpose of, in the defined service area, transmitting, transforming and distributing electricity on, under, along and across the highways, streets, alleys, bridges, waterways, and other public places, and to do a local electric business and have an exclusive franchise to provide electricity and electric service in the defined service area only, in the CITY OF EAST LANSING, INGHAM AND CLINTON COUNTIES, MICHIGAN, for a period of thirty years, with said defined service area being shown and depicted on Exhibit A, which is attached hereto and incorporated herein by reference.

SECTION 2. FRANCHISE FEE. During the term of this franchise, or the operation of the electric system pursuant to this franchise, and to the extent allowable as a matter of law, the Grantee shall, upon acceptance of the City, collect and remit to the City a franchise fee in an amount of five percent (5%) of the revenue, excluding sales tax from the retail sale of electric energy by the Grantee within the City, for the use of its streets, public places and other facilities, as well as the maintenance, improvements and supervision thereof. Such fee will appear on the corresponding energy bills.

The fiscal year for purposes of determining the annual franchise fee to commence on July 1, 2017, with the new fiscal years commencing on July 1st for each year thereafter, with the first franchise fee to be paid by the Grantee to the City of East Lansing on October 1, 2017, with the Grantee to pay the franchise fees to the City of East Lansing on a quarterly basis thereafter.

The City shall at all times keep and save the Grantee harmless from and against all loss, costs, expense and claims associated with the collection and remittance of this franchise fee.

Either party, upon sixty (60) days written notice by the party may terminate this Ordinance granted franchise, franchise fee collection and remittance. However, to the extent the Grantee is precluded from collecting such franchise fees remittance to City will cease.

SECTION 3. CONSIDERATION. In consideration of the rights, power and authority hereby affirmed, said Grantee shall faithfully perform all things required by the terms hereof.

SECTION 4. CONDITIONS. All of Grantee's towers, masts, and poles shall be so placed on either side of the highways, streets, alleys and bridges as not to unnecessarily interfere with the use thereof for highway, street, alley and bridge purposes. All of Grantee's wires carrying electricity shall be securely fastened so as not to endanger or injure persons or property in said highways, streets, alleys, and bridges. All work performed by said Grantee in said highways, street[s], alleys, and bridges shall be done so as to minimize interference with the use thereof, and when completed, the same shall be left in as good condition as when work was commenced. The Grantee shall have the right to cut or trim trees if necessary in the conducting of such business.

Said lines and appurtenances shall be constructed so as to interfere as little as possible with the proper lawful use of the streets, alleys, and public places. The installation of all poles, conduits, and appurtenances shall be according to industry standards and shall be subject to such reasonable regulations as shall be prescribed by said City from time to time.

SECTION 5. HOLD HARMLESS. Said Grantee shall at all times keep and save the City free and harmless from all loss, costs and expense to which it may be subject by reason of construction or maintenance. Provided, however, that Grantee's obligations under this Section 5 shall not apply to any loss, cost, damage or claims arising out of the negligence of the City, its employees or its contractors. Grantor shall indemnify, hold harmless and defend the Grantee from any and all claims, losses or litigation which result from the Grantee's compliance with this Ordinance. However, Grantor is not responsible for Grantee's negligent or intentional misconduct associated with the provision of utility services.

SECTION 6. EXTENSIONS. Said Grantee shall construct and extend its electric distribution system within the defined service area of said City, and shall furnish electric service to applicants residing in the defined service area in accordance with applicable laws, rules and regulations.

SECTION 7. NONEXCLUSIVE FRANCHISE. Certain rights, power and authority herein granted, are exclusive as to providing electricity and electric service in certain areas of the City of East Lansing as described in Exhibit A. Otherwise, with respect to jurisdiction of East Lansing, this remains a nonexclusive franchise.

The exclusive right to service certain areas of the City of East Lansing as described in Exhibit A is a condition concurrent to the collection and remittance of the Franchise Fee described in Section 2. As such either party may terminate the exclusive right to serve upon 60 days prior written notice. Therefore, to the extent either shall cease, both ceases.

SECTION 8. RATES. The rates and Rules and Regulations governing the supply and use of electricity shall be the same as in the City of Lansing except that the rates shall be increased within the boundaries of the City by the amount of any taxes, license fees, franchise fees, or any other charges against the Grantee's property or its operations, or the production and/or sale of electrical energy, levied or imposed by the City or otherwise incurred by Grantee as a result of this Ordinance.

Section 10. SERVICE AREA. To the extent permitted by law, Grantee shall furnish electric service to all customers requesting such service within Grantee's service area or the non-exclusive area.

Section 11. FOOTE ACT FRANCHISE. Nothing herein shall be construed as either party rendering an opinion or position of the Grantee's vested franchise rights under the Foote Act, 1905 PA 264. The City does not waive any right to contest, and the Grantee does not relinquish any right to assert.

Section 12. GRANTEE RULES. The Grantee shall have authority to promulgate such rules, regulations, terms and conditions governing the conduct of its business as shall be reasonably necessary to enable the Grantee to exercise its rights and perform its obligations under this franchise, and to assure uninterrupted service to each and all of its customers. Provided, however, that such rules, regulations, terms and conditions shall not be in conflict with the provisions hereof or of laws of the State of Michigan.

SECTION 13. EFFECTIVE DATE. This ordinance shall take effect upon the day after the date of publication thereof; provided, however, it shall cease and be of no effect after thirty days from its adoption unless within said period the Grantee shall accept the same in writing filed with the City Clerk. Upon acceptance and publication hereof, this ordinance shall constitute a contract between said City and said Grantee.

Section 14. PUBLICATION AND ADMINISTRATIVE COSTS. The City shall assume the cost of publication of this franchise. A BWL administrative charge of ½ percent (0.5%) of collected franchise fees for the quarterly billing will apply.

Section 15. SEVERABILITY. If any provision of this franchise is to any extent illegal, otherwise invalid, or incapable of being enforced, such provision shall be excluded to the extent of such invalidity or unenforceability; all other provisions hereof shall remain in full force and effect.

We certify that the foregoing Franchise Ordinance was duly enacted by the City Council on the ____ day of _____, 2017.

Mark S. Meadows, Mayor

Marie Wicks, City Clerk

ACCEPTANCE

TO THE CITY COUNCIL OF THE CITY OF EAST LANSING, INGHAM COUNTY, MICHIGAN:

The LANSING BOARD OF WATER AND LIGHT hereby accepts the franchise granted to it by your City Council on the ____ day of _____, 2017, which said franchise is entitled as follows:

AN ORDINANCE, granting to LANSING BOARD OF WATER AND LIGHT, its successors and assigns, the right, power and authority to in the defined service area construct, maintain and commercially use electric lines consisting of towers, masts, poles, crossarms, guys, braces, feeders, transmission and distribution wires, transformers and other electrical appliances on, under, along and across the highways, streets, alleys, bridges, waterways, and other public places, and to do a local electric business in the defined service area in the CITY OF EAST LANSING, INGHAM COUNTY, MICHIGAN, for a period of thirty years.

LANSING BOARD OF WATER AND LIGHT

By: _____

Dated: _____, 2017

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

None.

RESOLUTIONS
RESOLUTION 2017-05-02
Fiscal Year 2018 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2018 is hereby approved as presented; and

RESOLVED, that the annual Operating Budget has been presented with a potential and estimated rate increase. The potential and estimated rate increase is a projection and has not been approved through a public rate hearing process. The potential and estimated rate increase will be reviewed and adjusted as necessary during a formal rate setting process as per Lansing City Charter, Section 5-205 which refers to the BWL authority to set just and reasonable rates and defines the public hearing process; and

RESOLVED, that the Fiscal Year 2018 Capital Budget is hereby approved as presented; and

RESOLVED FURTHER, 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: In accordance with the provisions of the Lansing City Charter, Article 5, Chapter 2, Section 5-203.5, staff recommends an operating and maintenance budget of \$267.3 million and a capital budget of \$139.5 million for Fiscal Year 2018. The capital budget includes \$50 million exclusively attributable to the new natural gas plant and the remainder provides for on-going services to our utility customers and to sustain our plant facilities for future operations. Staff recommends that the Finance Committee approve these budgets and resolution for presentation and adoption by the Board at its May 23, 2017 board meeting.

Motion by Commissioner Ross, Seconded by Commissioner McCloud to approve the Resolution for the FY18 Operating and Capital Budget

Action: Motion Carried

MANAGER'S REMARKS

General Manager Peffley informed of the following:

Awards Received

- The Board of Water and Light (BWL) received and accepted an award from the Mid-Michigan Environmental Action Council for its work in lead service.

- The BWL received the APPA RP3 Designation Diamond Award scoring 100 out of 100 and the designation of Diamond for the second consecutive year. The level of designation represents the quality of a utility and is based on industrial recognized leading practices in four leading disciplines – reliability, safety, workforce development, and system improvement.

BWL in the Community

BWL is striving to get information about BWL into the community.

- TV campaign in January through March with ads about BWL's renewable portfolio and where the Board was going.

- A booklet was made which tells a little bit about the Board and BWL history that can be handed out at events.
- A general manager’s roundtable will be started. BWL sent out 40 requests for people to sit on this round table and is hoping to get 30 responses returned. The people will commit to three meetings over the next year. The purpose of the round table is to present the BWL’s programs and future to get feedback and obtain ambassadors for the community. The makeup of this group are community leaders, business, labor, educators and certain community groups. Some requests have already been returned.

BWL as the Utility of the Future

BWL is striving to become the utility of the future and is there in many ways with BWL’s renewable portfolio, the million-dollar transmission project, the new cogeneration plant, strategic plan, and IRP. Now the BWL needs to focus on the workforce and how to get the workforce there. The executives and UMS, which is a contractor that BWL has used in the past, have been working for six months to figure out how to transition this organization to the utility future—the size, the process, and how things are aligned. Tomorrow morning this will be unveiled to the managers and directors. This is just the first crack at this. Input will be sought from the managers as to whether this was the correct way to organize a company. Mr. Peffley acknowledged the IT Depart for implementing two major programs over the last weekend (new main frame and converted the entire company to Office 365).

Saturday, June 3rd is Be a Tourist in Your Own Town

The water department will be open and have tours of the water plants. Volunteers are welcome.

COMMISSIONERS’ REMARKS

Board Chair Price acknowledged and praised General Manger Peffley on all the things that are being done that are a part of delivering water, steam, electricity and steam water. This is living up to our motto “Hometown People, Hometown Power”.

Commissioner Ross acknowledged the General Manager for his measures taken with the IT Department. His concern was that there has been a very critical breach in security and this has put a focus on the IT operations. It is a commitment of Mr. Peffley’s Administration to have that be the first part of going from good to great.

Board Chair Price recognized departing Commissioner Stuart Goodrich from Delhi Township for service to the Board and invited everyone to join the Board of Commissioner for cupcakes and punch at the conclusion of today’s meeting in honor of Mr. Goodrich.

Commissioner Goodrich stated that his time of service has been interesting. He acknowledged GM Peffley and Corporate Secretary Griffin for their work with the Board of Commissioners.

Commissioner Zerkle commended the Board for their First Step program.

Commissioner Louney commended Commissioner Goodrich for his professionalism and insight. He also acknowledged the BWL staff on receiving the mentioned awards. Also, he invited everyone to help volunteer with the SWAT team and help sign people up for the energy efficiency program.

MOTION OF EXCUSED ABSENCE

Excused Absence

Motion by Commissioner McCloud, Seconded by Commissioner Graham, to excuse Commissioner Thomas from tonight’s meeting.

PUBLIC COMMENTS

None

ADJOURNMENT

Chair Price adjourned the meeting at 6:08 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk 6-1-17

Official Minutes filed (electronically) with Lansing City Clerk: 7-27-17