



**BOARD OF WATER AND LIGHT  
REO Town Depot  
1201 S. Washington Ave., Lansing, Michigan  
May 23, 2017 - 5:30 p.m.  
BOARD MEETING AGENDA**

**1. Roll Call**

**2. Pledge of Allegiance**

**3. Approval of Minutes**

- a. Regular Board Meeting Minutes of March 28, 2017

**4. Public Comment**

*Members of the public are welcome to speak to the Board on any agenda subject. Anyone wishing to comment on any matter **not** on the agenda may do so immediately prior to adjournment.*

**5. Communications**

Electronic Mail from:

- a. LaSandra Jones regarding Outside Personal Protection Light
- b. BWL Manager Kellee Christensen regarding the 24th Annual Adopt A River Event
- c. Michael VanLeeuwe n regarding BWL's E-Payment System

**6. Committee Reports**

- a. Committee of the Whole Meeting (May 9, 2017)
- b. Finance Committee Meeting (May 16, 2017)

**7. Manager's Recommendations**

- a. Proposed Electric Franchise Resolution-City of East Lansing

**8. Unfinished Business**

**9. New Business**

**10. Resolutions/Action Items**

- a. FY 18 Operating and Capital Budget

**11. Manager's Remarks**

**12. Commissioners' Remarks**

**13. Motion of Excused Absence**

**14. Public Comment**

*Members of the public are welcome to speak to the Board on any Board of Water and Light subject. Is there anyone who would care to speak? If so, please step to the podium and state your name for the record?*

**15. Adjournment**



**MINUTES OF THE BOARD OF COMMISSIONERS MEETING**

**LANSING BOARD OF WATER AND LIGHT**

**March 28, 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, March 28, 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, Commissioner Tracy Thomas and Sandra Zerkle. Non-Voting Commissioners present: Stuart Goodrich (arrived @5:53 p.m.)(Dehli Township), Bill Long (Delta Township) and Bob Nelson (East Lansing).

Absent: None

The Corporate Secretary declared a quorum.

Commissioner Zerkle led the Pledge of Allegiance.

**APPROVAL OF MINUTES**

**Motion** by Commissioner Mullen, Seconded by Commissioner McCloud, to approve the Regular Board Meeting minutes of January 24, 2017.

**Action:** Motion Carried

**PUBLIC COMMENTS**

None.

**COMMUNICATIONS**

Electronic Mail received from:

- a. June Rochon re: Outage system failures - Received and Placed on File

**COMMITTEE OF THE WHOLE**

**Meeting Minutes**

**March 14, 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 4:00 p.m. on Tuesday, March 14, 2017.

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

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

The Corporate Secretary declared a quorum.

**Public Comments**

None

**Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner Thomas to approve the Committee of the Whole meeting minutes of November 8, 2016.

**Action:** Motion Carried

**Charrette Presentation for the New Substation Exterior Wall**

George Stojic, Executive Director of Planning and Development stated that three design charrettes have been conducted around the design of the wall for the Central Substation. Mr. Stojic introduced Ken Jones of Studio Intrigue Architects.

Ken Jones of Studio Intrigue Architects explained in detail the charrettes process that was conducted and the results achieved from the process regarding the design of the BWL Substation Wall. He informed the Committee that a series of charrettes took place involving the public from which a lot of input was received. He stated that there were conversations and ideas presented regarding height and appearance and the process included live interaction with the public to demonstrate suggestions. Mr. Jones stated during the charrettes process designs were narrowed down to three and the public went through a series of iterations to arrive at what is being presented today. Mr. Jones presentation included views of the proposed wall from various vantage points.



**Michigan Public Power Agency (MPPA) Commissioner Appointment**

George Stojic, Executive Director of Planning and Development stated due to his focus on other major projects, he would like to relinquish his MPPA appointed Commissioner position and request that Robert Lalonde be appointed as the new Commissioner and that Brad Stoecker be named as the First Alternate Commissioner with Constance Carantrza remaining as the Second Alternate Commissioner.

**Motion** by Commissioner Price, Seconded by Commissioner Ross to forward the proposed resolution to the full Board for consideration.

**Action:** Motion Carried

George Stojic, Executive Director of Planning and Development informed the Committee that the MPPA is having a Stakeholders meeting in May and that this would be a great opportunity for the Boards to meet and understand how the MPPA works. The MPPA also plans on bringing in guest speakers who will speak on industry issues. General Manager Peffley stated that information regarding the upcoming meeting will be provided to Commissioners by way of Corporate Secretary Griffin.

### **Futures Trading Resolution & Presentation**

George Stojic, Executive Director of Planning and Development presented a PowerPoint presentation on Futures Contracts, which is an agreement to buy or sell commodity in the future for a price agreed upon when the contract is made. (Futures Option gives the option holder the right, but not obligation to buy or sell in the future at the agreed upon price) Mr. Stojic informed the Committee that Futures are traded on exchanges and exchanges are regulated by the Federal Government's Commodities Futures Trading Commission; this Commission wants a Resolution from the Board of Directors (or whomever is in control of the company) that authorizes the staff to engage in this act, which it is part of the regulatory process. With the passage of the proposed Resolution the Board will incorporate the futures contract in to the Risk Management program which includes a Risk Oversight Committee.

Mr. Stojic stated as we rely more on natural gas especially with another plant coming on, this is an excellent way to help manage both the risk of volatility of gas as well as the volume risk.

Bob LaLonde, BWL's Manager of Compliance and Operations provided more detail on the Futures contracts and what is being proposed to limit risk.

After a short question and answer session Mr. Lalonde spoke about the possibility of periodically reporting to the Board of Commissioners the results of Futures trading.

**Motion** by Commissioner Price, Seconded by Commissioner Thomas to forward the proposed resolution for Futures Trading to the full Board for consideration.

**Action:** Motion Carried

### **Proposed Strategic Plan Update Format**

Mark Matus, Director of Technical Services described the proposed update report on the strategic plan. The Committee discussed options for a reporting schedule. After some discussion among Board members it was determined that reporting should take place semiannually (twice a year).

### **Other**

General Manager Peffley provided a brief update on the recent (wind) storm outage.

Commissioner Dennis M. Louney spoke about the possibility of Jan Beecher from MSU providing governance education to the Board. He also provided the Commissioners with a copy of an article that was published titled "Efficiency Deficiency" and thanked Sue Warren for her assistance with the SWAT Energy Efficiency event.

### **Adjourn**

Meeting adjourned at 5:10 p.m.

Respectfully Submitted  
Tony Mullen, Chair  
Committee of the Whole

**FINANCE COMMITTEE  
Meeting Minutes  
March 14, 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 5:15 p.m. on Tuesday, March 14, 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, Tracy Thomas, Sandra Zerkle and Non-Voting Commissioners Stuart Goodrich (Departed at 5:25 p.m.), William Long and Robert Nelson.

Absent: None

The Corporate Secretary declared a quorum.

**Public Comments**

None

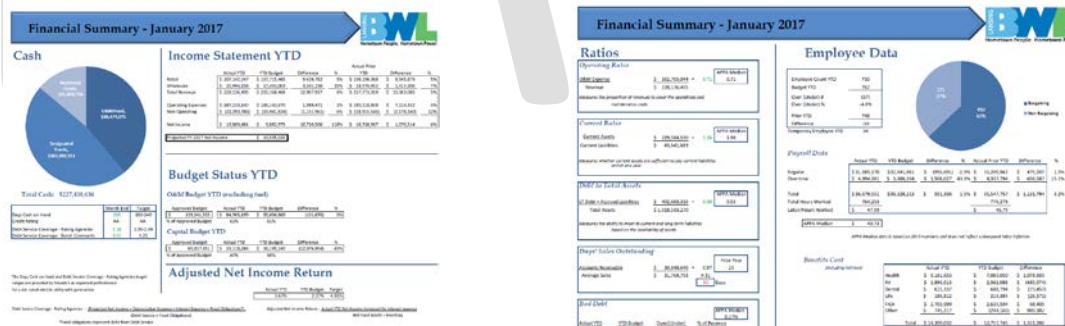
**Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner McCloud, to approve the Finance Committee meeting minutes of January 10, 2017.

**Action:** Motion Carried.

**January YTD Financial Summary**

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



CFO Heather Shawa presented the January Year-to-date Financial Summary which indicated that the Cash target is on track and there was an upward trend from the prior month as expected. The Year-to-date net income actual is \$10.7 million better than budget and the projected fiscal-year-end net income is approximately \$14.5 million; however, the projection was prior to the recent wind storm and quarterly budget reviews, therefore, adjustments will be made.

Ms. Shawa indicated that though we are showing underspend in capital projects, there is expected to be an increase in capital spending over the remainder of the fiscal year. She also stated that the company is on track for exceeding the budgeted year-end adjusted net income rate of return. Ms. Shawa also mentioned that three out of five Ratios are being achieved, bad debt and uncollectable continue to be watched and Day sales

are outstanding. She also informed the Committee that benefit cost is over budget due to the VEBA adjustment as part of the annual valuation.

## Update on Management Responses to Internal Audits

CFO Heather Shawa presented management's responses to audits as follows:

### STATUS OF MANAGEMENT RESPONSES TO AUDITS MARCH 2017



*Updates in red*

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
17	Close the Books	The Internal Audits recommended that consideration be given to the use of a general accounting manual.	Aug 2014	General Accounting	A General Accounting Procedure Manual is expected to be finalized by 3/31/17.
27	Management of Mobile Devices	The Internal Audits recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	IT has encrypted the laptops used by field personnel and established user guidelines. Guidelines instruct BWL users to encrypt sensitive data on their own mobile devices. Software with remote management capabilities has been procured and installed and will be fully deployed by 3/31/17.
29	Management of Mobile Devices	Internal Audit recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	Software with remote management capabilities for mobile devices has been procured and installed and will be fully deployed by 3/31/17.
33	Outage Management System	The audit recommended more specific test criteria, testing performed by the call processing vendor, development of test scripts, and a narrative of test results.	Oct 2015	Information Technology	Modifications recommended as a result of a November 2016 stress test will be implemented by 3/31/17.
37	Hiring Process	Internal Audit has requested that an all-encompassing hiring policy be documented.	May 2016	Human Resources	Human Resources has drafted an additional Board policy, one which addresses BWL hiring standards in their entirety, and will seek Board approval of it by 3/31/17.
44	Billing	To address safety concerns associated with high consumption residential customers, management is discussing possible revisions to existing Rules and Regulations and coordination of public safety initiatives with other public agencies.	Nov 2016	Planning & Development	The appropriate course of action will be determined by 1/30/17, in coordination with city ordinances and state law.
45	Performance Evaluation & Compensation <i>NEP</i>	Internal Audit recommended additional standardization of performance evaluation procedures.	Jan 2017	Human Resources	Further development of the BWL performance management process for non-bargaining employees is underway, including additional participation throughout the year and goals and objectives in line with the new BWL Strategic Plan. The SMART concept already in use will be expanded upon (i.e., employer performance goals are SMART, which stands for Specific, Measurable, Action-oriented, Realistic and Time-bound). Estimated completion date is 7/1/18.

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
46	Performance Evaluation & Compensation <i>NEP</i>	Internal Audit recommended job descriptions be updated.	Jan 2017	Human Resources	Human Resources will coordinate the updating of job descriptions, in collaboration with each area throughout the organization. This project will incorporate multiple phases, beginning with planning and identifying needed resources. Estimated project completion is 6/30/19.
47	Performance Evaluation & Compensation <i>NEP</i>	Internal Audit recommended increasing flexibility with avoiding merit increases.	Jan 2017	Human Resources	Decoupling of cost-of-living and merit increases is already underway, including budgeting of the two separate categories of increases for fiscal 2018 and development of corresponding instructional information. Project completion is expected by 7/1/18.
E-2	IT Assessment (by External Auditors)	It was noted that network and financial application password settings need strengthening, including establishing requirements that passwords be changed every 90 days, be a minimum length of 8 characters, and include special characters. In addition, 8 prior passwords should be remembered and user accounts should be locked after 3-5 failed login attempts.	Sept 2016	Information Technology	Enhancement of network, mainframe, and application password settings has been completed, with the exception of one application which will instead be replaced, at a date yet to be finalized.
E-3	IT Assessment (by External Auditors)	Management letter indicated that user account access should be reviewed annually by management for appropriateness, following the least privilege principle, with documentation of reviews retained.	Sept 2016	Information Technology	IT is currently reviewing user access to CIS and SAP with management, with completion expected by 3/31/17.
E-5	IT Assessment (by External Auditors)	Baker-Tilly noted that the Windows 2003 operating system on which the DP250 database runs needs upgrading.	Sept 2016	Information Technology	Needed funding to address this issue during the coming fiscal year is expected to be secured by 3/31/17.
<b>Closed Issues (since December 2016 reports):</b>					
E-1	IT Assessment (by External Auditors)	Baker-Tilly's management letter officially noted that all users of financial applications should have a unique ID and generic, shared, temporary and system accounts should be removed. If a system account cannot be removed, it should be disabled.	Sept 2016	Information Technology	Generic user IDs for financial applications have been disabled.
E-4	IT Assessment (by External Auditors)	Baker-Tilly recommended a cybersecurity awareness program with surprise penetration testing.	Sept 2016	Emergency Management/Information Technology	Employees are participating in annual online cybersecurity awareness training and a new monthly live training program which includes a phishing component. In addition, DHS will conduct a phishing campaign as part of their annual assessment. A first round of surprise penetration testing took place on 2/15/17.

In response to Finance Chair Ross' inquisition regarding a quick one year assessment of external auditors Baker Tilly, CFO Shawa indicated that Baker Tilly has value in different ways from previous external auditors and there has been discussion about additional services that they can provide due to their experience in the industry.

Commissioner Dennis M. Louney inquired about the completion date delay of the Outage Management System stress test (indicated as #33 on the report). In response CFO Shawa stated that the stress test had been completed but wanted the recommendations and the action plan for the recommendations completed before removing it from the report.

**AT THE LIBERTY OF THE FINANCE CHAIR ROSS THE LAST TWO ITEMS WERE TAKEN OUT OF POSTED AGENDA ORDER**

## Internal Audit Status Report

Internal Auditor Phil Perkins presented the following status report:

### Current Audit Progress Report

#### Engagements Completed in FY 17:

1. Surprise Cash Count #1.
2. Time Reporting Review #1 & 2.
3. Performance Evaluation/Compensation/Merit Pay Audit
4. Collections Audit

#### Engagements in Progress:

1. Follow-up Audit Training & Development—draft audit report stage.
2. IT - COBIT Compliance - in progress, about 75% complete. Anticipate completion in March 2017.
3. New Service Order Management - Water. Fieldwork in progress; anticipate completion in April 2017.
4. Payroll Management - just underway; anticipate completion in May 2017.



### Remaining FY 2017 Audit Plan

#### Audits:

1. IT - Identity and Access Management
2. Follow-up - Hiring Process Audit

#### Other Engagements:

1. Vehicle Time Reporting Review
2. Surprise Cash Count #2



## Other Items

### Internal Auditor Professional Development:

- On target to meet professional education requirements for certifications:
  - CPA
  - CIA
  - CISA
- Passed examination in November 2016 to attain Fundamentals of Cybersecurity certification.

### Quality Assurance Improvement Program:

- An Internal Quality Review has been completed with good results, in preparation for the required 5-year External Peer Review.
- Anticipate the External Peer Review to occur in May 2017.



5

## Other Items, continued

### Annual Planning & Risk Assessment for FY 2018 Audit Plan

- Meetings to be held with executive management and staffs to discuss current risk areas and potential audit topics for FY 2018.
- Draft audit plan for FY 2018 to be presented for Board approval not later than July 2017.



6

## **Travel & Reimbursement Policy & Resolution**

Finance Chair Ross relayed to the Committee that most of what is being presented in the proposed document is the result of the previous Committee of the Whole meeting in which there was extended review and discussion on the Board of Water and Light's four separate travel policies. Feedback was taken and a consolidation of the four policies was uniformly produced and that is what is being reviewed and ultimately approved.

Lori Pung, General Accounting Manager provided a high level review of the combined travel policy. During the review the Commissioners engaged in a discussion regarding their meal reimbursement and the allowable per diem amount per IRS Rules. Upon completion of the review and discussion it was determined to maintain the \$100.00 a day per diem with the understanding that the per diem rate will be taxed according to current IRS regulations through the issuance of a W-2. The proposed Resolution was presented with the following motion:

**Motion** by Commissioner Price, Seconded by Commissioner McCloud to repeal all existing travel policies and recommend that the proposed consolidated travel policy as amended (Under the Substantiation Section language should read as "Original Receipts *shall* be obtained") be forwarded to the full Board for consideration

**Action:** Motion Carried

Chair Price and Finance Chair Ross thanked Lori Pung and her team for all of their hard work on the travel policy.

## **Other**

### **Excused Absence**

None

## **Adjourn**

**On Motion** by Commissioner Price, Seconded by Commissioner Louney, the meeting adjourned at 6:10 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee



**MANAGER’S RECOMMENDATIONS**

**RESOLUTION 2017-03-01**

**AMENDING APPOINTMENTS TO MICHIGAN PUBLIC POWER AGENCY**

WHEREAS, George Stojic is the Michigan Public Power Agency (MPPA) Commissioner on behalf of the Lansing Board of Water & Light (BWL), along with Robert Lalonde and Constance Carantza, who serve as First and Second Alternate Commissioners, respectively; and

WHEREAS, George Stojic has served as the MPPA Commissioner for approximately 10 years; and

WHEREAS, George Stojic has been assigned to major projects being undertaken by the BWL; and

WHEREAS, Robert Lalonde has served as the BWL’s first alternate Commissioner to the BWL for approximately three years; and

WHEREAS, it is appropriate and in the best interest of the BWL to name a replacement for the MPPA Commissioner and BWL’s First Alternate on behalf of the BWL.

NOW, BE IT RESOLVED, that Constance Carantza will remain as the Second Alternate Commissioner.

FURTHER RESOLVED, that Robert Lalonde is named as the MPPA Commissioner on behalf of the BWL.

FURTHER RESOLVED, that Bradley Stoecker is named as BWL’s First Alternate MPPA Commissioner.

**Motion** by Commissioner Thomas, Seconded by Commissioner McCloud, to approve Resolution for the MPPA Commissioner Appointment.

**Action:** Motion Carried.

**UNFINISHED BUSINESS**

There was no Unfinished Business.

**NEW BUSINESS**

None.

**RESOLUTIONS**

**RESOLUTION 2017-03-02**

**BWL Futures Trading Authorization**

**WHEREAS**, the Lansing Board of Water and Light (BWL) Board of Commissioners approved a Risk Management Policy (Resolution 2010-05-04) in May 2010, to develop an Energy Risk Management Program that would provide guidelines to govern BWL’s energy portfolio and risk management activities; and

**WHEREAS**, the BWL’S Energy Risk Management objectives include minimizing the risk of wholesale price volatility, as well as optimizing resources and value assets through wholesale transactions to minimize the cost of service to retail ratepayers; and

**WHEREAS**, the BWL has determined that investments and transactions in Futures and Exchange Traded Options are suitable and appropriate for the BWL's objectives; and

**WHEREAS**, the BWL has been informed that a resolution from the BWL Board of Commissioners, specifically stating that the BWL can invest and transact in futures and exchange-traded options, is required to apply for and open an account with, a futures commission merchant; and

**NOW, THEREFORE, BE IT RESOLVED**, that the BWL Board of Commissioners hereby authorizes the BWL to invest and transact in futures and exchange-traded options under the guidelines set forth in the BWL Energy Risk Management Policy.

**BE IT FURTHER RESOLVED**, that in approving this authorization, the BWL Board of Commissioners hereby confirms that the BWL has full power and authority under applicable law, the Lansing City Charter and its by-laws to undertake investments and transactions and to establish accounts, and execute agreements and related documentation in furtherance of undertaking such transactions as follows:

- a. Futures and exchange-traded options on such futures for the purchase, sale, and delivery of commodities, options to purchase or sell commodities or contract for the future delivery of commodities, forward contracts and instruments regulated as Futures (collectively, "Futures and Option Contracts").
- b. To deposit with and withdraw money, commodities, contracts for the purchase or sale of commodity futures and option on such futures, checks and other negotiable instruments, securities, and other property;
- c. To settle, compromise, adjust, and give releases with respect to any and all claims, demands, disputes and controversies and make agreements and take any other action relating to any of the foregoing matters.

**BE IT FURTHER RESOLVED**, that Richard R. Peffley, General Manager (the "Authorized Individual") is authorized to carry out all of the powers set forth herein, and bind the BWL to transactions and agreements, until the BWL issues written revocation instructions that a previously Authorized Individual is no longer authorized by the BWL to act on its behalf and confirms such revocation with the futures commission merchant.

**BE IT FURTHER RESOLVED**, that Richard R. Peffley, General Manager, is authorized to delegate his authority to another or others, as he determines appropriate to be Authorized Individuals.

**BE IT FURTHER RESOLVED**, that the General Manager and/or his designee, are authorized to give instructions on behalf of the BWL in furtherance of purchases, sales, delivery of property, or all other transactions required to consummate transactions and agreements contemplated herein to the fullest extent and to take all actions necessary or desirable in connection with the BWL account, to receive requests and demands for additional margin, notices of intention to sell or purchase any instrument and other notices and demands of whatever nature and to receive and acquiesce in the correctness of notices, statements of account and other records and documents relating to transactions in the account(s). This enumeration of specific authority shall not limit any other authority of the Authorized Individuals.

**BE IT FURTHER RESOLVED**, that the Authorized Individuals are empowered to borrow money, securities, or commodities and to secure repayment thereof with property of the BWL; and to bind and obligate the BWL to carry out any contract, agreement, or transaction involving such sums as such Authorized Individual determines are necessary in connection with any of the said accounts; to deliver securities and contracts for future delivery; to order the transfer or delivery thereof to any other person or entity whatsoever.

**BE IT FURTHER RESOLVED**, that each of the Authorized Individuals are empowered to endorse any securities or contracts in order to pass title thereto; to sign for the BWL all agreements, supplemental forms, acknowledge risk disclosures and receive other disclosures, releases, powers of attorney or other documents in connection with the BWL's account(s), and to agree to any terms or conditions to control such account(s); to direct any swap dealer or futures commission merchant or counterparty to surrender any securities to the proper agent or party for the purpose of effecting any exchange or conversion, or for the purpose of deposit or otherwise; to accept delivery of any securities or commodities against a contract for future delivery, option or otherwise; and to appoint any other person or persons to do any and all things which any of the said Authorized Individuals are hereby authorized to do.

**BE IT FURTHER RESOLVED**, that these resolutions shall remain in full force and effect until revoked in writing, in whole or in part, by the BWL.

**BE IT FINALLY RESOLVED** that this resolution is hereby incorporated into the Risk Management Policy (Resolution 2010-05-04), and shall be effective immediately upon approval of the Board of Commissioners.

I, M. Denise Griffin, Corporate Secretary of the City of Lansing by its Board of Water and Light ("BWL"), a Corporation organized under the laws of the State of Michigan hereby certify that at a meeting of its Board of Directors held on March 28, 2017, the aforementioned resolutions were duly adopted, and in no way conflict with any provision of the Lansing City Charter, any other documents of the BWL, or any laws applicable to the BWL.

**IN WITNESS WHEREOF**, I have subscribed my name and affixed the seal of the BWL,

**The City of Lansing by its Board of Water and Light**

M. Denise Griffin

Corporate Secretary



Signature

Date: 3-28-17

**Motion** by Commissioner Mullen, Seconded by Commissioner McCloud, to approve the Resolution for the Futures Trading Authority.

**Action:** Motion Carried.

**RESOLUTION 2017-03-03**

**TRAVEL & REIMBURSEMENT POLICY – BOARD OF COMMISSIONERS, BOARD APPOINTEES,  
EMPLOYEES and INVESTMENT FIDUCIARIES**

**RESOLVED**, That the Travel & Reimbursement Policy for the Board of Commissioners, Board Appointees, Employees and Investment Fiduciaries (formerly known as Retirement System Representatives) will replace the existing Policies and Resolutions listed below:

- 1) Policy 0004 – Travel Expense (Board Appointees)
- 2) Policy 0007 – Travel Expense for Commissioners Only
- 3) Policy 0056 – Travel & Reimbursement – Employees
- 4) Resolution #2007-05-14 – Amendment to Travel Policy for the Board of Commissioners
- 5) Resolution #2014-11-02 – Retirement System Education & Travel Policy

Staff Comments: The purpose of this Resolution is to consolidate the existing policies and resolutions listed above into 1 policy and apply uniform requirements throughout. The following significant changes were made:

Board of Commissioners

- Policy covers 4 Year Term Commissioners
- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Policy may be overridden by Board Chair when emergency or special circumstance arises

Board Appointees

- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Eliminated the \$50/day per diem rate
- Meal Reimbursement will be at actual cost with a 20% gratuity cap
- Policy may be overridden by Board Chair when emergency or special circumstance arises

Employees

- Meal reimbursement increased (from \$50) to \$70 per day with a 20% gratuity cap
- Miscellaneous Expense increased (from \$25) to \$50 per day

Investment Fiduciaries

- Advance Approval by the Board Chair
- Reimbursement Approval by the Board Chair
- Eliminate \$500 per day cash travel advance
- Policy may be overridden by Board Chair when emergency or special circumstance arises

**NOW THEREFORE BE IT RESOLVED:** that the Finance Committee recommends that the Board of Commissioners adopt the combined and updated travel policy as presented.

**Motion** by Commissioner Ross, Seconded by Commissioner Thomas, to approve the Resolution for a combined travel policy. (Approval of Resolution 2017-03-03, initiates the inception of Policy #0078; hereby superseding Policy No. 0004, 0007, 0056 and Rescinding Resolutions No. 2007-05-14 and 2014-11-02)

**Action:** Motion Carried.

### **MANAGER'S REMARKS**

General Manager Peffley informed of the following:

#### **East Lansing Franchise**

East Lansing is working on documents as request by the BWL Finance Committee, which includes:

- Case law for review on whether franchise fee is legal
- East Lansing to provide indemnification to hold BWL harmless if the franchise fee is deemed illegal
- BWL franchise fee to start simultaneously with Consumers franchise fee.

Once all documents are complete it will be placed on the Finance agenda for review.

#### **New Plant**

- New plant project team is in place. Owner's engineer and owner's rep.
- Rough plant budget estimate is complete.
- Continue to evaluate 3 regional industrialized sites.
- Each site will bring welcoming economic development into the area, like Reo Town plant did.
- Hopeful for final site selection by early summer
- Talks underway with 17 cities, represented by MPPA, to allow for upsizing of new co-gen plant to take advantage of economy of scale cost savings.

#### **Budget**

- Have to pay for the plant.
- On track to present FY18 budget at the May Finance Committee meeting.
- Capital side of budget is done; still working on O&M budget.
- Asked staff to hold budget at the same level at FY17 (5% decrease from FY16). We are struggling to keep budget the same due to increased healthcare and fuel costs, however, I am confident we will achieve the goal without compromising safety or reliability.
- Announcing no rate increases for calendar year 2017. Last increase was in November of 2014 (over 3 years ago).

Rate discussion will take place later this calendar year for multi-year rate strategy, which will begin in 2018.

Finally General Manager Peffley spoke about the recent storm and the success of handling the outages.

### **COMMISSIONERS' REMARKS**

Commissioner Ken Ross informed the Commissioners that they are being provided with information on a Webinar from the American Water Works Association that was given to him from Dr. Janice Beecher of MSU.

Chair Price reminded the Commissioners of the upcoming Joint BWL and Lansing City Council meeting.

**MOTION OF EXCUSED ABSENCE**

None

**PUBLIC COMMENTS**

None

**ADJOURNMENT**

Chair Price adjourned the meeting at 6:02 p.m.

M. Denise Griffin, Corporate Secretary  
Preliminary Minutes filed (electronically) with Lansing City Clerk: April 2017  
Official Minutes filed (electronically) with Lansing City Clerk:

DRAFT

Data from form "E-mail BWL Commissioners" was received on 4/3/2017 10:29:50 PM.

This message was received from the external Commissioner web page (the sender was anonymous).

Field	Value
To	All Commissioners
Name	LaSandra Jones
Address	1215 Dakin St
email	<a href="mailto:joneslr99@yahoo.com">joneslr99@yahoo.com</a>
E-mail Subject	Outside Personal Protection Light
Message	<p>I am writing to say how dissatisfied I am with the handling of the BWL's maintenance of my personal protection light , which has been out since the beginning of March and reported by me five times. I live alone and recently was homebound due to being sick with the flu, and as of today (April 3, 2017) this light has still not been fixed. Please research the issue and have this repaired as soon as possible. I would like to receive confirmation of a day and time when repairs will be made. Thank you.</p>

This message was received from the external Commissioner web page (the sender was anonymous).

Field	Value
To	All Commissioners
Name	
Address	
email	
E-mail Subject	24th Annual Adopt A River Event (May 13, 2017)
Message	<p>Save The Date! We are gearing up for a spectacular event this year and it is our hope you can come! For the past 24 years, the Lansing Board of Water &amp; Light (BWL) has sponsored an annual Adopt A River (AAR) event. Over the years, we have hosted thousands of volunteers and cleared tons of litter from the banks of the Grand and Red Cedar Rivers, the River Trail and various parks in the area. In 2006, the BWL began a partnership with Impression 5 Science Center to coordinate and support the event. AAR is now hosted at Impression 5 and the event has been expanded to include an Environmental Fair as well as lunch and free admission to the museum for AAR volunteers. The Environmental Fair features exhibits from local organizations that focus on the local ecology, green energy and other community events. In previous years we have had exhibits of local fauna, stream monitoring, solar energy, recycling, surface and groundwater models and green roofs. We request that all exhibits be connected to river protection, river health, community clean-up, green energy and the Lansing area. We suggest that each booth feature a "make it, take it" craft, a demonstration or hands on learning opportunity to engage our younger volunteers. Giveaways are always welcome. This year the Environmental Fair is May 13, 2017, 10:00 am - 3:00 pm and will be held inside Impression 5 Science Center. Tables and chairs will be provided as well. A Vendor Fact Sheet will be sent out April 2017. We will also feature Passport Books again this year and would love for you to participate with those as well. Exhibitors are asked to submit 3 - 5 questions concerning their booth as well as your organization's logo. It is our hope these Passports are a chance for our volunteers to engage the exhibitors at the Environmental Fair and take advantage of the free entrance to the museum that day. After kids have completed their Passports, they will be able to enter a drawing for 4 Chili Cook-Off tickets and receive an Adopt A River Patch. Each exhibitor who participates with the Passport will be provided with a stamp and ink pad on the day of the event to stamp participants Passport Books. Please let me know if you have any questions or need any additional information and thank you for your participation! Kellee Christensen P.E. Enterprise Business Program Manager Lansing Board of Water &amp; Light 1201 S. Washington Ave PO Box 13007 Lansing, MI 48910 517.930.3830 517.702.6831 <a href="mailto:Kellee.Christensen@LBWL.com">Kellee.Christensen@LBWL.com</a></p> <p>Save The Date! We are gearing up for a spectacular event this year and it is our hope you can come. For the past 24 years the Lansing Board of Water &amp; Light (BWL) has sponsored an annual Adopt A River (AAR) event. 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Data from form "E-mail BWL Commissioners" was received on 5/13/2017 3:00:58 PM.

This message was received from the external Commissioner web page (the sender was anonymous).

Field	Value
To	Select
Name	Michael VanLeeuwenn
Address	3012 young ave
email	<a href="mailto:kathryn.s.whitaker@pfizer.com">kathryn.s.whitaker@pfizer.com</a>
E-mail Subject	what is wrong with your epayment
Message	I set up epayment on my bwl account. I watched all day and the payment did not go in. I had to submit it manually the following day. I did not have this problem with consumers energy epayment. what the f is wrong with your system . I just want to set this up and not worry about it getting paid. But my autopayment did not go through yesterday and I was monitoring it all day long. this is a huge problem for me. You need to fix it

**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 2<sup>nd</sup> 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, on the left hand side are the kilowatt hours savings, and the program budget is on the right. The actual is in the orange

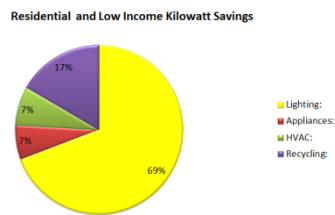
color. She stated that we met or exceeded our goals and were at 118% of our kilowatt goals and used only 92% of budgeted money.

### Energy Optimization Summary

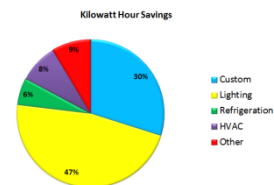
Program Portfolio	2016 Goals		2016 Actual	
	Gross First Year kWh Savings	Program Budget	Gross First Year kWh Savings	Program Budget
Low Income Services	425,815	\$213,875	649,543	\$218,940
Residential Programs	5,606,248	\$1,250,209	5,615,631	\$1,154,983
Business Services	16,151,740	\$2,517,342	19,901,755	\$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
<b>ANNUAL TOTALS</b>	<b>22,183,803</b>	<b>\$4,676,629</b>	<b>26,166,929</b>	<b>\$4,292,040</b>

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

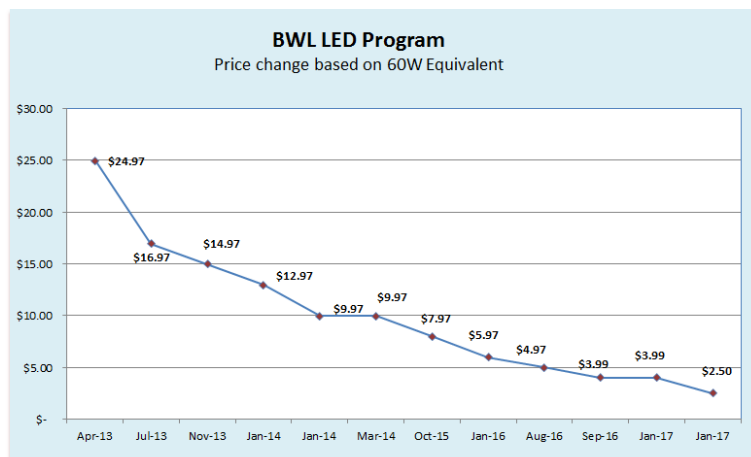


Business Summary 2009-2016



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 incandescents 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 carryforward 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 also indicated 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 BTL's information systems. Data flowing both ways allows for the BTL 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 programs, as well as customer visibility and control over individual electricity and water usage.



**Other**

General Manager Peffley informed the Committee:

The 24<sup>th</sup> 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 and 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.

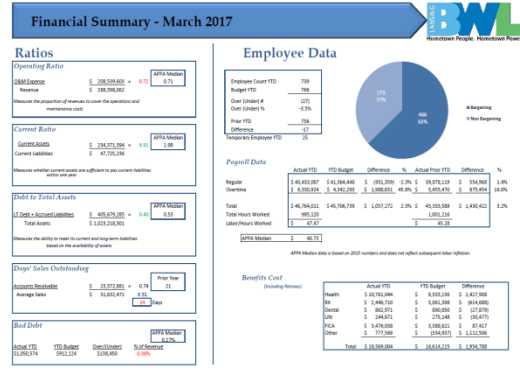
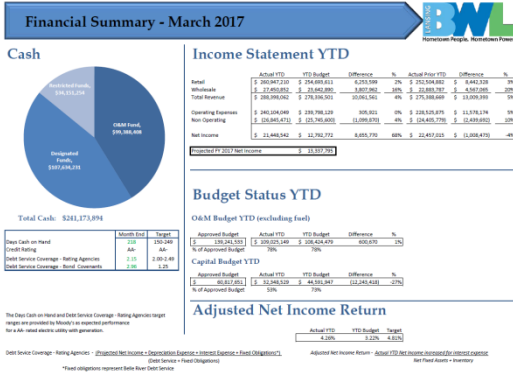
**Action:** Motion Carried.

**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.

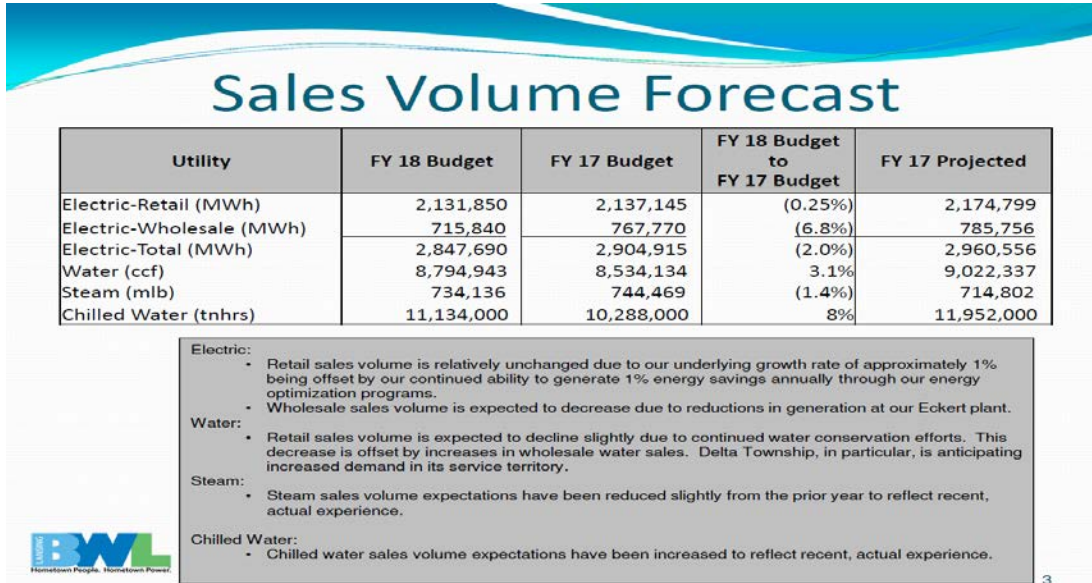
**FY 18 Budget Presentation/Resolution**

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 we have 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



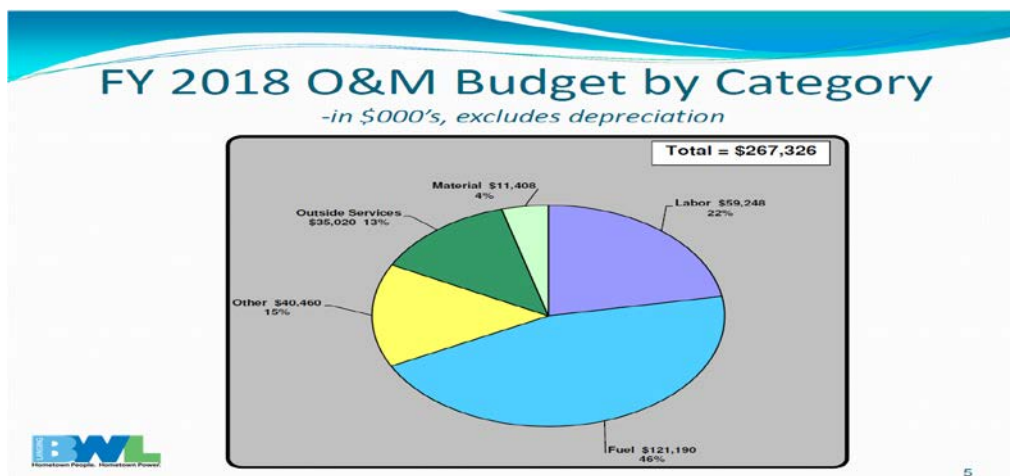
its belt. He said that we can accomplish all of the set goals and meet the strategic plan requirements with the presented budget. This budget is 5% lower than it was 2 years ago.

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



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.



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
<b>SALES (MWh, ccf, Mlb, ton-hrs)</b>	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
<b>OPERATING REVENUE</b>	<b>\$ 296,546</b>	<b>\$ 40,702</b>	<b>\$ 12,159</b>	<b>\$ 6,037</b>	<b>\$ 355,444</b>
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)
<b>OPERATING EXPENSE</b>	<b>\$ (262,973)</b>	<b>\$ (36,077)</b>	<b>\$ (9,946)</b>	<b>\$ (4,209)</b>	<b>\$ (313,205)</b>
<b>OPERATING INCOME</b>	<b>\$ 33,573</b>	<b>\$ 4,625</b>	<b>\$ 2,213</b>	<b>\$ 1,828</b>	<b>\$ 42,239</b>
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)
<b>NET INCOME (LOSS)</b>	<b>\$ 6,982</b>	<b>\$ 1,311</b>	<b>\$ (326)</b>	<b>\$ 929</b>	<b>\$ 8,896</b>
<b>RATE OF RETURN</b>	<b>3.03%</b>	<b>1.38%</b>	<b>2.25%</b>	<b>5.73%</b>	<b>2.60%</b>
<b>BUDGETED RATE INCREASE EFFECTIVE 2/1/18</b>	<b>3.00%</b>	<b>5.50%</b>	<b>5.50%</b>	<b>0.00%</b>	




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)
<b>OPERATING REVENUE</b>	<b>\$ 355,444</b>	<b>\$ 366,415</b>	<b>(1%)</b>
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	67,387	62,507	8%
LABOR TO CAPITAL	(6,095)	(7,355)	(17%)
NET LABOR	61,383	55,252	11%
MATERIAL	11,445	12,357	(7%)
OTHER - including Benefits	38,440	44,131	(13%)
OUTSIDE SERVICE	39,226	27,502	43%
FUELS, WATER CHEMICALS & AMINE	121,190	139,089	(13%)
OPERATIONS AND MAINTENANCE EXPENSE	\$ 271,672	\$ 278,331	(2%)
Depreciation Expense	45,879	43,153	6%
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 317,551</b>	<b>\$ 321,484</b>	<b>(1%)</b>
<b>OPERATING INCOME</b>	<b>\$ 37,893</b>	<b>\$ 44,931</b>	<b>(16%)</b>
Return on Equity	(20,967)	(22,007)	(5%)
Other Non-Operating Income/(Expense)	(12,376)	(12,810)	(3%)
<b>NET INCOME</b>	<b>\$ 4,550</b>	<b>\$ 10,113</b>	<b>(55%)</b>



### Comparative Income Statement

After Strategic Alignment and Review

In \$000's	FY 2018 Budget	FY 2017 Budget	Increase/ (Decrease)
<b>OPERATING REVENUE</b>	<b>\$ 355,444</b>	<b>\$ 366,415</b>	<b>(1%)</b>
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	65,750	62,507	5%
LABOR TO CAPITAL	(6,503)	(7,355)	(12%)
NET LABOR	59,248	55,252	7%
MATERIAL	11,408	12,357	(8%)
OTHER - including Benefits	40,460	44,131	(9%)
OUTSIDE SERVICE	35,020	27,502	27%
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%
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 313,205</b>	<b>\$ 321,484</b>	<b>(1%)</b>
<b>OPERATING INCOME</b>	<b>\$ 42,239</b>	<b>\$ 44,931</b>	<b>(6%)</b>
Return on Equity	(20,967)	(22,007)	(5%)
Other Non-Operating Income/(Expense)	(12,376)	(12,810)	(3%)
<b>NET INCOME</b>	<b>\$ 8,896</b>	<b>\$ 10,113</b>	<b>(12%)</b>



## FY 2018 Cash Flow by Utility

\$(000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
<b>BEGINNING OPERATING CASH</b>	58,671	13,061	5,438	3,756	80,926
<b>Sources of Cash:</b>					
Net Income	\$ 6,982	\$ 1,211	\$ (226)	\$ 928	\$ 8,896
Depreciation	\$ 34,224	\$ 7,340	\$ 2,820	\$ 1,489	\$ 45,873
Loss on Sale of Assets	\$ 1,547	\$ 266	\$ 101	\$ -	\$ 1,914
Borrowing	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000
Withdrawal from Construction Reserve	\$ 24,692	\$ 5,400	\$ 2,203	\$ 1,579	\$ 34,000
Fuel Cost Undercollection	\$ 2,663	\$ (141)	\$ (464)	\$ -	\$ 2,058
Net Environmental	\$ 4,444	\$ -	\$ 160	\$ -	\$ 4,610
Pipeline Refund	\$ 2,390	\$ -	\$ 455	\$ -	\$ 2,845
<b>SOURCES OF CASH</b>	<b>\$ 126,993</b>	<b>\$ 14,266</b>	<b>\$ 5,041</b>	<b>\$ 3,992</b>	<b>\$ 150,292</b>
<b>Uses of Cash:</b>					
Debt Principal	\$ (5,000)	\$ (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	\$ (184)	\$ (41)	\$ (17)	\$ (11)	\$ (253)
<b>USES OF CASH</b>	<b>\$(121,720)</b>	<b>\$(13,038)</b>	<b>\$(9,502)</b>	<b>\$(2,951)</b>	<b>\$(147,211)</b>
<b>Net Cash Increase/(Decrease)</b>	<b>\$ 5,188</b>	<b>\$ (1,272)</b>	<b>\$ (4,461)</b>	<b>\$ 1,041</b>	<b>\$ 491</b>
<b>ENDING OPERATING CASH</b>	<b>63,859</b>	<b>11,789</b>	<b>977</b>	<b>4,797</b>	<b>81,417</b>

*Beginning Operating Cash includes O & M Fund and Reserving Fund only. Designated Funds and Restricted Bond Funds not included (\$107.0 and \$34.2 million respectively as of March 31, 2017)*

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	REO PLANT	\$ 3,000
CHILLED WATER	\$ 450	T&D	\$ 64,583
COMMON	\$ 18,457	DYE/CEDAR	\$ 2,327
*INTERNALLY FUNDED CAPITAL BUDGET	\$ 89,516	CHILLER PLANT	\$ 440
NEW NGCC PLANT	\$ 50,000	MOORE'S PARK	\$ 463
<b>TOTAL CAPITAL BUDGET</b>	<b>\$ 139,516</b>	NEW NGCC PLANT	\$ 50,000
		OTHER	\$ 18,319
		<b>TOTAL CAPITAL BUDGET</b>	<b>\$ 139,516</b>

\* This total DOFS 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
<b>Planned Projects</b>		
--- New NGCC Plant	TBD	50,000,000
--- Smart Grid Implementation (AMI/MDM)	30,950,000	9,400,000
--- Central Substation	25,880,000	14,339,000
--- Erickson to Willow 138kV Line Extension	22,653,676	18,286,810
--- High Pressure Steam Parallel Supply	5,179,000	5,179,000
--- BECC - Rental Standby Steam Boilers	5,080,000	5,000,000
--- EBRI Implementation	3,904,000	1,106,711
--- Willow Yard Expansion	4,271,000	3,713,058
--- Erickson Yard Expansion	3,707,000	2,759,598
--- Gridstar Interconnection Project	3,596,075	1,783,365
--- ADMS	3,353,000	868,000
--- Burcham 4160V Sub Outover and Retirement	2,235,000	1,500,000
--- Central Sub - Distributors	1,800,000	50,000
--- Infrastructure Deep Dive Execution	1,500,000	1,500,000
--- Asset Mgmt - Cityworks Implementation	1,500,000	250,000
--- Calender Bldg. Unit Sub. Replacement	1,000,000	1,000,000
--- MP - Tainter Gate Transition Pin Replacement	1,098,000	163,300
--- IT - Enterprise Service Bus	1,000,000	1,000,000
--- IT - Mainframe Migration and Transition	1,000,000	500,000
<b>Capital Spending - Major Planned Projects</b>	<b>1,000,000</b>	<b>110,760,642</b>
<b>% of \$139.5M Requested Capital Budget</b>		<b>84%</b>
<b>Annual Projects</b> ---		
Electric - Services & Line Extensions	12,711,528	2,000,000
Electric - T & D Systems	10,327,938	2,569,000
Electric - Street, Building & Outdoor Protective Lighting	11,002,827	1,833,000
Water - System Improvement	13,099,000	2,364,000
Common - Fleet Vehicles & Equipment	10,198,209	1,000,000
Water - Street Reconstruction	6,870,000	923,628
<b>Capital Spending - Annual Projects</b>	<b>6,870,000</b>	<b>11,293,628</b>
<b>% of \$139.5M Requested Capital Budget</b>		<b>8%</b>
<b>FY 2018 Capital Spending - Major Projects</b>		<b>128,054,270</b>
<b>% of \$139.5M Requested Capital Budget</b>		<b>92%</b>



--- These projects support the retirement of Eckert.  
 --- These represent the major FY 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

## **Proposed Resolution**

### **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.

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 1<sup>st</sup> 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

**PROPOSED RESOLUTION**

**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.

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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.