



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

LANSING BOARD OF WATER AND LIGHT

May 24, 2016

The Board of Commissioners met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, May 24, 2016.

Chairperson David Price called the meeting to order at 5:31 p.m.

Present: Commissioners Mark Alley, Dennis M. Louney, Tony Mullen, David Price, Ken Ross, Tracy Thomas and Sandra Zerkle. Non-Voting Commissioners present: Mike Froh (Meridian Township), Bob Nelson (East Lansing) and Bill Long (Delta Township).

Absent: Commissioner Anthony McCloud

The Corporate Secretary declared a quorum.

Commissioner Tracy Thomas led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Thomas, Seconded by Commissioner Zerkle to approve the Regular Board Meeting minutes of March 22, 2016.

Action: Motion Carried

PUBLIC COMMENTS

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.

Speakers: Regina Strong, Sierra Club, Director of Beyond the Coal Campaign
Carol Rall, Lansing, MI
Steve Rall, Lansing, MI
Brad Van Guilder, National Sierra Club

The speakers above made the following comments and submitted them in writing:

- Lansing is at a crossroads in its energy future. The Board very wisely instructed the utility to undertake a 20-year integrated resource planning process, and rightly asked the utility to have robust, open and transparent public input into that process. The Board rightly recognized that the preferences of the citizens of Lansing of course should drive the shaping of Lansing's energy future.
- Unfortunately, the planning process has not lived up to the Board's vision.
- Sierra Club hired independent experts with decades of utility planning experience to review the BWL's planning process and proposal. MSB Energy Associates, led by Geoff Crandall, worked for the Michigan Public Service Commission and has been an expert ever since. George Evans is an expert modeler who has testified many times before the MPSC on proposals by DTE and Consumers.
- Today, Sierra Club will be releasing a report by these experts that identifies several serious problems with the BWL's planning process that may have led to some large missed opportunities for a cleaner, more reliable, and lower cost energy future.
- This expert report says that it is critical these issues be addressed and that the BWL fix its modeling before the Board makes a decision on how it will meet Lansing's energy needs over the next 20 years.
- The first big issue identified is that the BWL didn't look at the costs and risks associated with keeping Erickson online through 2030. There are a bunch of environmental regulations that could mean large capital investments would be needed to keep Erickson online that long.
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- The first big issue identified is that the BWL didn't look at the costs and risks associated with keeping Erickson online through 2030. There are a bunch of environmental regulations that could mean large capital investments would be needed to keep Erickson online that long.

- We will be making this report public after this meeting. There are other issues it identifies, and all of them should be fixed before this Board makes any decisions about its future energy needs.
- Now, to date, the BWL hasn't made any of its underlying data and modeling assumptions available to the public, despite our repeated requests. If our experts could see that data, we could have a lot more useful input into what the revised modeling scenarios should look like. The BWL is keeping everything under lock and key. This is all information that we have access to when we participate before the Michigan Public Service Commission. There is even less reason to deny the public access to that information here, where the utility is owned by the people of Lansing. We ask that the BWL make available all of that information to any member of the public who wants to see it, and that the BWL then sit down and run new modeling scenarios that address concerns identified.
- This is too important to get wrong. We are talking about the future of this utility during the most critical years for stopping climate change. Our recent poll showed that the people of Lansing want a clean, responsible plan, and prefer a future that doesn't include more fossil fuels. The people of Lansing deserve a full and fair consideration of that future. But they won't get it without a truly open and transparent process.

In addition, the speakers above presented the Board with copies of the Review of Lansing Board of Water and Light's Integrated Resource Plan, prepared by MSB Energy Associates and Evans Power Consulting, on behalf of the Sierra Club.

COMMUNICATIONS

- a. Proposed Resolution for a Franchise Fee from City of East Lansing
Referred to Finance Committee and Management/Received and Placed on File
- b. Key Information to Make Publically Available, submitted by the Sierra Club Beyond Coal to Clean Energy
Referred to Executive Management/Received and Placed on File

COMMITTEE REPORTS

COMMITTEE OF THE WHOLE May 10, 2016

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:00 p.m. on Tuesday, May 10, 2016.

Committee of the Whole Chair, Dennis M. Louney, called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Dennis M. Louney, Mark Alley, Anthony McCloud, Tony Mullen, David Price, Ken Ross, Tracy Thomas, Sandra Zerkle and Non-Voting Members: Michael Froh (Meridian Township), Bill Long (Delta Township) and Robert Nelson (East Lansing).

Absent: None

Corporate Secretary declared a quorum.

Committee of the Whole Chair Louney deviated from the printed agenda momentarily to allow additional time for printing of the Integrated Resource Plan (IRP) packets.

Committee of the Whole Chair Louney, informed the Commissioners of an invitation that was provided to them at their seating areas regarding the upcoming 1st S.T.E.P. Award Ceremony that is being held on May 16, 2016.

Approval of Minutes

Motion by Commissioner Ross, Seconded by Commissioner Price, to approve the Committee of the Whole meeting minutes of March 8, 2016.

Action: Motion Carried

Public Comments

None

Public Act (PA) 295

Annual Energy Optimization Update

Sue Warren, Manager of the Energy and Eco Strategies Department, provided the Committee with the Annual Renewable Energy and Energy Optimization Plans/Report. 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 the governing board with an update on last year's activities for each of those programs. The BWL files an annual report with the MPSC and also provides notice to customers by way of BWL's *Connections* newsletter.

Energy Optimization 2015 Programs

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

Program Highlights

- Education in the Community
 - Attended 31 local events with 7,300 attendees
 - Did 25 presentations to community
- Pilot Programs
 - Think! Energy (school program with Consumers Energy)
 - Michigan Saves Low Interest Financing

Ms. Warren reviewed the Million Kilowatt Hour Club status. The club was established to honor customers that participated in the BWL's efficiency programs and saved a million kilowatt hours. The goal of saving a million kilowatt hours can be accomplished by an accumulation of projects over several years.

Million Kilowatt Hour Club

New Members for 2015	
WMU Cooley	1,009,599
Sparrow Hospital	1,148,058
Ashley Capital & Peckham	1,197,029
General Motors	10,068,644
BWL	1,325,000

Previous Members	
State of Michigan DMB	Quality Dairy
Lansing School District	General Motors
Peckham Vocational Ind.	Ashley/Ryder
Demmer Properties LLC	

Annual Renewable Energy Update

Ms. Warren conveyed that the BWL Renewable Energy Program has met the Renewable Portfolio Standards (RPS) and due to the ability to carry forward Renewable Energy Credits (REC's), no additional renewable energy is needed until 2020.

Ms. Warren stated that the BWL will continue to work with Gro Solar for the utility scale project. Also underway is the development of community solar projects that will be located in East Lansing and Lansing.

BWL's current portfolio consists of the purchase of energy and Renewable Energy Credits for landfill gas from Granger, small amounts of hydro from Tower Clever, and wind from Exelon. In addition, the BWL owns a solar array on Cedar Street, a small array located on the roof of the BWL's Reo Headquarters facility and the BWL operates a hydro plant.

In conclusion, Ms. Warren stated that the BWL is continuing to look at renewable energy options. One of the things that the Citizens Advisory Committee (CAC) group is looking into through the Integrated Resource Plan (IRP) process is determining how renewable energy fits in with the company's energy needs in the future.

Commissioner Ross inquired about being provided an energy optimization comparison in the future in order to determine how the BWL measures up against other municipal utilities.

Integrated Resource Plan (IRP) Presentation

Steve Transeth, Co-Chair of the IRP Citizen Advisory Committee (CAC), presented the CAC's recommendation. Mr. Transeth began by describing the process followed by the CAC and thanked the Committee members for their work on the Integrated Resource Plan (IRP).

Mr. Transeth indicated that the Committee met eight times from October, 2015, to April, 2016, and that the first six meetings were open to the public. He described the public meetings as "grounding" meetings that covered BWL operations, projections of energy needs, modeling assumptions and data, and scenario development. Mr. Transeth stated that the final two meetings were closed meetings to allow for deliberations.

The final meetings focused on adopting guiding principles for developing recommendations and reviewing the results of modeling scenarios. He indicated that the Committee also considered the results of the EPIC/MRA survey of BWL customers. The survey and guiding principles indicated that important planning goals include affordability, reliability, clean energy, and economic development.

Mr. Transeth stated that the Committee first reviewed three resource portfolios developed by the BWL, but rejected the market based portfolio because of cost, volatility, and the preference of Lansing area customers for local generation. He noted that the Committee members requested the BWL to run five additional resource portfolios, including three with 85MW of wind energy entering service in 2018.

Mr. Transeth explained that the Committee considered a recommendation to increase the energy efficiency component of the plan beyond the 1% annual savings amount. However, the Committee did not adopt this recommendation because of the impact on low income customers. According to Mr. Transeth, as sales decline, rates increase. For customers who can take advantage of energy efficiency programs, their bill may be lower because of the energy savings. However, many low income customers rent and landlords are reluctant to invest in more expensive energy efficiency products. As a result, low income customers are required to pay higher rates without benefiting with lower bills. The cost of utility service increases the most for these low income customers.

In addition to the resource portfolio, Mr. Transeth stated that the Committee was making additional recommendations, which are: (1) review the IRP at four year intervals, (2) regularly review the cost of renewable energy technology, particularly energy storage, and (3) explore opportunities to expand the BWL's energy efficiency program.

After deliberations, the Committee arrived at a recommendation that includes 85MW of wind in 2018, 40MW of solar energy in 2020, 100MW of natural gas generation in 2020, an additional 140MW of solar energy between 2020 and 2030, an additional 300MW of natural gas generation in 2030, and a 1% energy savings each year. Although this is not the lowest cost plan, it is not significantly more expensive than the reference (lowest cost) plan and results in a balanced plan that best meets the goals of affordability and clean energy while maintaining electric reliability within the BWL's service territory. Mr. Transeth also indicated that planning flexibility is also important.

Following the presentation, Mr. Transeth answered questions regarding the IRP.

By order of Committee of the Whole Chair Louney, the meeting recessed at 6:17 p.m. and reconvened at 6:34 p.m.

Proposed Strategic Plan Update

General Manager Peffley introduced Steve Brennan, Manager of Planning Business Development who presented the Committee of the Whole with the proposed Strategic Plan process.

Mr. Brennan stated that the purpose of the strategic plan is to provide guidance for fulfilling the mission of the organization. It affirms the mission and the values; it takes stock of our current situation and its future demands, outlines challenges, identifies potential approaches and recommends strategies for success.

Mr. Brennan clarified the following regarding the process and outcome of the new/revised Strategic plan:

Purpose

The purpose of the strategic plan is to provide guidance for fulfilling the mission of the organization. It affirms the mission and the values; it takes stock of our current situation and its future demands, outlines challenges, identifies potential approaches and recommends strategies for success.

Values

The values are enduring, passionate, and distinctive core beliefs. They are the guiding principles for the company. Our current values are reliability, environmental stewardship, affordability, community, and health and safety.

Mission

The mission statement clarifies the purpose of the organization and the values that guide it. It addresses both what the company seeks to accomplish and in which manner the organization will accomplish it.

Goals

The goals present a big picture of an ideal future condition as the utility desires it. They are a broad aim at what we want to accomplish. In our 2008 Strategic Plan, the goals were:

- Provide superior customer service
- Assure adequate energy supply
- Develop new management strategies
- Lead through community involvement.

Objectives

The objectives are specific measurable outcomes that are steps toward attaining a goal. In our 2008 Strategic Plan the objectives were:

- Developing a highly qualified, diverse, and effective work force
- Be recognized as a leader in community service
- Meet or exceed all environmental standards
- Be a good environmental steward

Strategies

Strategies are action statements that define the steps the company will take to achieve its objectives.

Mr. Brennan indicated that the BWL would like to do this in three phases:

Implementation – Phase 1

1. Start review of industry trends
 - Identify the resources we will use
2. Present to the Executives– email of individually
 - The purpose of the Strategic Plan
 - Definition of the Core Values
 - Current Mission Statement
3. Executives will:
 - Determine if the current Mission Statement reflects the Values
 - Perform SWOC analysis
 - Identify Managers and Subject Matter Experts (SMEs) for phase 2
4. Strategic Plan Team will:
 - Identify Goals and logical Objectives

Implementation – Phase 2

1. Present to Managers and SMEs
 - Purpose, values, mission
 - Overview of Executive SWOC
 - Goals and Objectives
 - Overview of Industry Trends
2. Feedback on “What we are missing”
3. Perform SWOC analysis
4. Create Objectives and Strategies
5. Strategic Planning Team will put together draft

- Present the identified Goals and Objectives to the Executives
 - Incorporate feedback on Goals, if necessary
5. Executives approve the Goals

Implementation – Phase 3

1. Present draft to Executives in June
 - Gather feedback
 - Incorporate feedback into draft
2. Present draft to Commissioners in July
 - Gather feedback
 - Incorporate feedback into draft
3. Board of Commissioners approve Final Report in September

Mr. Brennan answered questions regarding the Strategic Plan. In summary it was stated that the Strategic Plan is a living document and recommendations from the Board’s perspective will be incorporated into the plan.

Central Substation Project

General Manager Peffley provided an update on the Central Substation project. Mr. Peffley informed the Committee that the staff attended the Parks Board hearing a few weeks ago where the Central Substation project received a 5-3 vote in support of the location. The next step is to proceed to the Planning Board and then to the City Council for approval. If approved there is the possibility of construction, beginning in the fall.

Other

Human Resource (HR) Chair Tony Mullen provided each Commissioner with evaluation documents pertaining to its three appointed employees and indicated that he would also be emailing the documents to the Commissioners before the upcoming HR Committee meeting.

Public Comment

The following individuals stated their concerns regarding the IRP process:

- Regina Strong, Sierra Club, Director of Beyond the Coal Campaign
- Steve Rall, Lansing, MI
- Dave Erickson, Lansing, MI
- Lynn Stauff, Lansing, MI

Brad Van Guilder, National Sierra Club, in addition to stating his concerns regarding the IRP process, also provided document entitled “Key Information to Make Publicly Available” to the Commissioners and asked that it be addressed.

Jim Weeks, Executive Director of the Michigan Municipal Electric Association (MMEA) spoke in support of the IRP process.

Excused Absence

None

Adjourn

On Motion by Commissioner Price, Seconded by Commissioner McCloud, the meeting adjourned at 7:15 p.m.

Respectfully Submitted
Dennis. M. Louney, Chair
Committee of the Whole

FINANCE COMMITTEE
May 10, 2016

The Finance Committee 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 7:20 p.m. on Tuesday, May 10, 2016.

Finance Committee Chairperson Ken Ross called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Ken Ross, Dennis M. Louney, David Price. Also, present Commissioners Mark Alley, Tony Mullen, and Non-Voting Members Bill Long (Delta Township) and Bob Nelson (E. Lansing).

Absent: Commissioner Tracy Thomas

The Corporate Secretary declared a quorum.

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of March 8, 2016.

Action: Motion Carried

Public Comment

None

Internal Auditor Outside Auditing Services Update

Internal Auditor Perkins informed the Committee that the BWL has had an ongoing contract for augmented internal auditing services with the firm of Charles Moore & Associates. According to Board policy, contracts need to be re-bid every three years, in which the third year is up-coming. According to Board policy, the contract can be renewed for an additional year with the plan being to re-bid the contact next spring.

Update on Open Internal Audit Management Responses

Heather Shawa-DeCook, Chief Financial Officer (CFO) provided an update on the Management’s response to Internal Audits. Ms. Shawa-DeCook covered the following issues and provided an update for each:

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
Open Issues:					
12	Record Retention	Internal Audit found that records on hand did not always correspond with the Record Retention Schedule; namely, a portion of I-9 forms and some asbestos bills of lading.	March 2014	Human Resources	I-9 forms are on file for all active employees. An appropriate retention schedule for the asbestos bills of lading was determined and updated as part of the overall review of the Record Retention Schedule. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred on 4/24/16, with the approval process expected to take approximately three months.
13	Record Retention	The Internal Auditor determined that records on hand in departments did not always correspond with the Record Retention Schedule.	March 2014	Enterprise Content Management	Enterprise Content Management has reviewed the existing Record Retention Schedule with the appropriate departments and cataloged all proposed revisions. An updated schedule was approved by the Committee of the Whole on 3/8/16. Filing for State Administrative Board approval occurred 4/14/16, with the approval process expected to take approximately three months.
17	Close the Books	The Internal Auditor recommended that consideration be given to the use of a general accounting manual.	August 2014	General Accounting	A General Accounting Procedure Manual is being developed, with expected completion by 12/31/16.
27	Management of Mobile Devices	The Internal Auditor recommended encrypting data on all remaining laptops and smart phones.	Sept 2015	Information Technology	Work on identifying data on any mobile devices in need of encryption was able to begin once the mobile device usage guidelines (referred to under now-closed issue #26) were established. Completion by 6/30/16 is anticipated.
29	Management of Mobile Devices	Internal Audit recommended further consideration of procuring software with remote cleaning capabilities.	Sept 2015	Information Technology	Once any data accessed via mobile devices is determined to be in need of encryption (i.e., once issue #27 is addressed), it can be determined to what extent procuring and implementing software with remote cleaning capabilities would be cost beneficial. It is anticipated that this issue will be addressed by 9/30/16.
30	Management of Mobile Devices	Internal Audit recommended disabling data ports on mobile devices.	Sept 2015	Information Technology	Any needed disabling of data ports will be complete by 9/30/16.
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	A successful stress test was performed 4/13/16. Management is reviewing vendor capacity reports and modifying documented procedure to include requirements for a narrative of test results and formal business owner acceptance of test criteria and results. Completion targeted for 6/30/16.
34	Training & Development	Internal Audit supports plans for a new database for tracking training and use of standardized criteria for periodic training course review and training of trainers, on an organization-wide basis.	Dec 2015	Organizational Training & Development	A new "LMS" database has been implemented and training and use of it is in the process of being rolled out, with completion expected by 6/30/16.

Issue #12 and #13 are concerning Retention Records items; the Record Retention updates have been approved and submitted to the State Administration Board for approval. The approval process is expected to take ninety days.

The completion of issue #17 closes the books of the general accounting procedure manual. This is scheduled to be completed by the end of the calendar year.

Issues, #27, #29 and #30 is concerning the management of mobile devices. This report needs revisiting and has an extension date of September 30th.

Issue #33, concerning outage management system is still in process and is currently on schedule for June 30th.

Closed Issues (since 12/31/15 report):

26	Management of Mobile Devices	The Internal Auditor noted that guidelines for mobile device management should be documented.	Sept 2015	Information Technology	Guidelines on the use of mobile devices have been completed.
28	Management of Mobile Devices	Internal Audit questioned whether contract terms and conditions covering data loss and manipulation are sufficient.	Sept 2015	General Counsel	Contract terms and conditions covering data loss and manipulation have been updated.
31	Outage Management System	The Internal Auditor found that procurement procedures regarding technical evaluation during the RFP process need clarification.	Oct 2015	Purchasing	Procurement procedures were updated effective 4/1/16.
35	Training & Development	Employee time which can be categorized as a form of training time was found to not always be identified as such.	Dec 2015	Organizational Training & Development	Refresher training of trainers, including the proper procedures for reporting training time, was completed on 2/20/16.
36	Training & Development	End-of-course evaluations are not always completed by attendees and Organizational Training & Development does not always provide a written summary analysis of evaluations back to trainers, particularly if there are no suggested improvements to consider.	Dec 2015	Organizational Training & Development	Refresher training of trainers, including review of expectations for course evaluation/feedback processes, was completed on 2/20/16.

Issue number #34, concerning Training & Development is on track and scheduled for a June 30th completion.

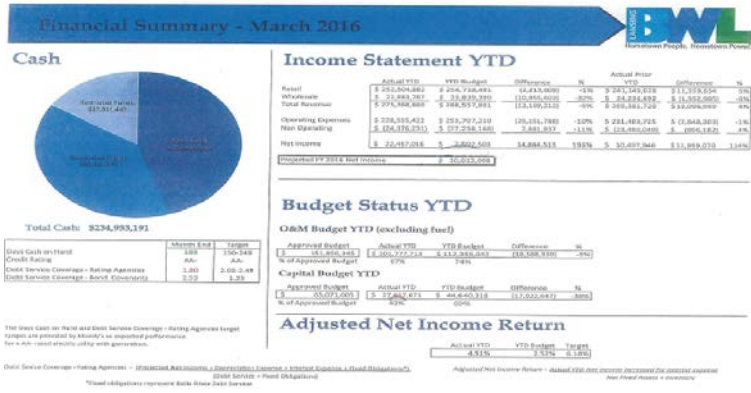
Issue #31, Outage Management System has updated procurement procedures based on audit recommendations and those are now in place.

Issues #35 and #36, concerning Training & Development is completed. Refresher training included the proper procedures for reporting training time.

Finance Chair Ross summarized the report as 8 outstanding issues, 5 closed issues and no new issues since the last review.

March YTD Financial Summary

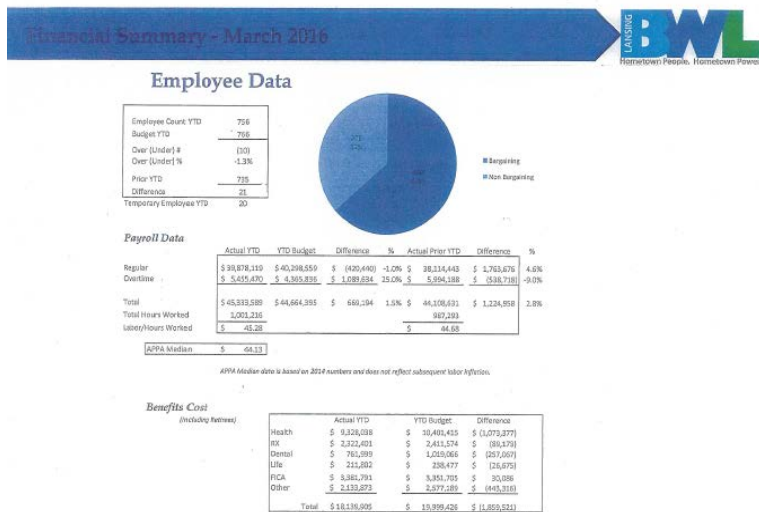
Chief Financial Officer Heather Shawa-DeCook presented the March Year-to-Date Financial Summary.



Heather Shawa-DeCook continued by presenting the March Year-to-Date Financial Summary below:



Scott Taylor, Manager of Finance, discussed and reviewed the Employee Data portion of the March Financial Summary:



CFO Heather Shawa-DeCook presented a PowerPoint presentation and reviewed the FY 17 FY 2017 Financial Plan as follows:

- Sales forecast —Operating expense assumptions —FY 2017 O&M Budget by Category
- FY 2017 Budgeted Net Income & Cash Flow —Comparative Financials (FY 2017 vs. FY 2016)

Sales Volume Forecast

Utility	FY 17 Budget	FY 16 Budget	'17 Budget to '16 Budget	FY 16 Updated Forecast
Electric-Retail (MAH)	2,137,345	2,141,430	-0.00%	2,091,543
Electric-Wholesale (MAH)	767,770	1,024,306	-25.0%	749,546
Electric-Total (MAH)	2,904,915	3,165,736	-8.2%	2,841,089
Water (cfd)	8,534,134	9,038,538	-6.2%	8,446,952
Steam (mths)	744,469	764,969	-2.7%	676,784
Chilled Water (mths)	10,288,000	10,038,000	2%	11,430,000

Electric:

- Retail sales volume by customer class are expected to decrease slightly compared to FY 2016 Budget. The slight decrease better reflects actual experience over the last five years.
- Wholesale sales volume have declined as a result of a decline in expected future market prices. Gasoline is forecasted to be discounted at lower levels due to the lower prices.

Water:

- Retail and wholesale water sales have been decreased to better reflect actual experience over the last five years.

Steam:

- Steam sales volumes have been decreased slightly to better reflect actual experience over the last five years.

Chilled Water:

- Chilled water sales volumes have been increased slightly to reflect increased customer usage.

Comparative Income Statement

Based on Initial Requests Prior to Strategic Alignment and Review

(in \$000's)	FY 2017 Budget	FY 2016 Budget	Increase/ (Decrease)
OPERATING REVENUE	\$ 366,415	\$ 376,675	-3%
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	65,908	61,301	8%
LABOR TO CAPITAL	(6,541)	(6,303)	4%
NET LABOR	59,367	54,998	8%
MATERIAL	14,209	13,516	5%
OTHER - Including Benefits	42,341	46,441	-9%
OUTSIDE SERVICE	40,690	30,037	34%
FUELS, WATER CHEMICALS & AMINE	143,102	149,730	-4%
OPERATIONS AND MAINTENANCE EXPENSE	\$ 299,409	\$ 294,623	2%
Depreciation Expense	43,153	43,225	0%
TOTAL OPERATING EXPENSE	\$ 342,562	\$ 337,848	1%
OPERATING INCOME	\$ 23,853	\$ 38,827	-39%
Return on Equity	(2,007)	(2,699)	-3%
Other Non-Operating Income/(Expense)	(3,810)	(3,867)	-6%
NET INCOME	\$ 18,036	\$ 2,261	-88%

Comparative Income Statement

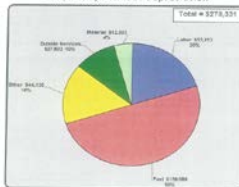
After Strategic Alignment and Review

(in \$000's)	FY 2017 Budget	FY 2016 Budget	Increase/ (Decrease)
OPERATING REVENUE	\$ 366,415	\$ 376,675	-3%
OPERATION AND MAINTENANCE EXPENSE			
GROSS LABOR	62,507	61,301	2%
LABOR TO CAPITAL	(7,255)	(6,303)	15%
NET LABOR	55,252	54,998	5%
MATERIAL	12,357	13,516	-9%
OTHER - Including Benefits	44,131	46,441	-5%
OUTSIDE SERVICE	27,502	30,037	-8%
FUELS, WATER CHEMICALS & AMINE	139,089	149,730	-7%
OPERATIONS AND MAINTENANCE EXPENSE	\$ 278,331	\$ 294,623	-6%
Depreciation Expense	43,153	43,225	0%
TOTAL OPERATING EXPENSE	\$ 321,484	\$ 337,848	-6%
OPERATING INCOME	\$ 44,931	\$ 38,827	16%
Return on Equity	(2,007)	(2,699)	-3%
Other Non-Operating Income/(Expense)	(3,810)	(3,867)	-6%
NET INCOME	\$ 10,113	\$ 2,261	347%

- Operating Expense Assumptions: Overall FY 2017 O&M decreased by 6% compared to FY 2016 Budget
- Budget assumes 754 FTE's – the same as the FY 16 budget.

FY 2017 O&M Budget by Category

(in \$000's, excludes depreciation)




FY 2017 Income Statement by Utility

(\$000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
SALES (MWh, cfd, Mths, ton-hr)	2,904,915	8,534,134	774,469	10,288,000	22,501,518
Retail	\$ 279,805	\$ 36,237	\$ 12,419	\$ 5,707	\$ 334,168
Wholesale	\$ 18,516	\$ 3,111	\$ -	\$ -	\$ 21,627
OPERATING REVENUE	\$ 366,721	\$ 39,348	\$ 12,419	\$ 5,707	\$ 366,415
Operation & Maintenance	\$ (242,027)	\$ (23,960)	\$ (8,619)	\$ (3,221)	\$ (277,827)
Depreciation Expense	\$ (10,830)	\$ -	\$ (2,562)	\$ (1,741)	\$ (14,134)
OPERATING EXPENSE	\$ (212,837)	\$ (33,971)	\$ (10,582)	\$ (4,073)	\$ (212,463)
OPERATING INCOME	\$ 15,884	\$ 5,388	\$ 1,837	\$ 1,634	\$ 44,930
Return on Equity	\$ (18,528)	\$ (2,384)	\$ (747)	\$ (548)	\$ (22,007)
Other Non-Operating Income	\$ 30	\$ 782	\$ (158)	\$ 30	\$ 679
Other Non-Operating Expense	\$ (9,341)	\$ (1,706)	\$ (1,891)	\$ (550)	\$ (13,488)
NET INCOME (LOSS)	\$ 8,015	\$ 2,287	\$ (959)	\$ 770	\$ 10,113
RATE OF RETURN	3.9%	1.8%	1.5%	4.9%	3.3%

FY 2017 Cash Flow by Utility

(\$000)	ELECTRIC	WATER	STEAM	CHILLED WATER	TOTAL
BEGINNING OPERATING CASH	61,533	13,699	5,705	9,938	84,875
Sources of Cash					
Net Income	\$ 8,015	\$ 2,288	\$ (960)	\$ 770	\$ 10,113
Depreciation	\$ 30,830	\$ 8,013	\$ 3,363	\$ 1,748	\$ 43,954
Loss on Sale of Assets	\$ 634	\$ 321	\$ 225	\$ -	\$ 1,180
Withdrawal from Construction Reserve	\$ 4,881	\$ 1,087	\$ 452	\$ 313	\$ 6,733
Fuel Cost Undercollection	\$ 2,329	\$ (43)	\$ 43	\$ -	\$ 2,329
Net Environmental	\$ 4,508	\$ -	\$ 188	\$ -	\$ 4,742
Pipeline Refund	\$ 2,330	\$ -	\$ 455	\$ -	\$ 2,845
SOURCES OF CASH	\$ 53,617	\$ 11,666	\$ 2,960	\$ 2,830	\$ 71,073
Uses of Cash					
Debt Principal	\$ (5,069)	\$ (2,313)	\$ (1)	\$ (1,465)	\$ (8,848)
Net Capital Expenditures	\$ (42,349)	\$ (14,010)	\$ (3,604)	\$ (953)	\$ (60,916)
Renewable Energy & E0-Plans	\$ (1,131)	\$ -	\$ -	\$ -	\$ (1,131)
Other Uses of Cash	\$ (183)	\$ (41)	\$ (17)	\$ (12)	\$ (253)
USES OF CASH	\$ (48,732)	\$ (14,364)	\$ (3,622)	\$ (1,580)	\$ (68,298)
Net Cash Increase/(Decrease)	\$ 4,885	\$ (4,698)	\$ (662)	\$ 300	\$ 8
ENDING OPERATING CASH	66,398	9,001	5,043	4,638	84,875

Ms. Heather Shawa-DeCook presented a PowerPoint presentation and reviewed the FY 17 Capital Budget and Next Steps as follows:



FY 2017 Capital Budget Summary

Dollars in (000's)

UTILITY		LOCATION	
ELECTRIC	\$ 34,519	ECKERT	\$ 3,280
WATER	\$ 9,847	ERICKSON	\$ 1,941
STEAM	\$ 2,901	REG PLANT	\$ 144
CHILLED WATER	\$ 180	T&D	\$ 36,462
COMMON	\$ 13,371	DYE/CEDAR	\$ 3,039
TOTAL BUDGET	\$ 60,818	CHILLER PLANT	\$ 42
		OTHER	\$ 15,910
			\$ 60,818

FY 2017 Capital Budget – Major Projects/Programs

Project Title	Project Total	FY 2017
Planned Projects		
* Erickson to Willow 33kV Line Extension	22,251,000	8,869,000
ESRI Implementation	5,763,144	3,715,730
New Mainframe	3,096,500	3,096,500
Gridcell Interconnect	3,330,000	2,788,000
Moore's Park Dam Gate Hoist and Phase 2 Dam Repair	4,943,000	2,650,200
Smart Grid Implementation	30,950,000	2,500,000
* Burtchum 4100V Sub Outfit and Retirement	2,226,000	2,226,000
* Central Substation	38,800,000	2,000,000
Lead Service Replacement	44,626,765	2,000,000
ADMS	2,720,000	1,499,062
Water Distribution Replacement - N Grand River	2,380,000	1,524,000
* Forbes 4100V Substation Retirement	4,327,000	1,208,000
Cedar Pump #1	1,083,700	1,083,700
Annual Projects**		
Services and Line Extensions	16,873,894	2,500,000
ESI Annual Rebuild T&D System	10,124,880	2,395,000
Street, Building, and Outdoor Protective Lighting	16,793,250	2,236,000
Annual Manhole Replacement	7,226,149	1,222,099
FY 17 Total Spending (Major Projects)		36,556,190

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



The Next Steps for the proposed Budget is:

- Request the Board to approve the FY 2017 Operating & Capital Budgets at the May 24th Regular Board meeting, in line with the Charter Rule of budget adoption by June 1st.
- File FY 2017 Operating Budget & Capital Budget with the City Clerk's office within in 10 days after approval.

Chief Financial Officer Heather Shawa-DeCook stated that she wanted the Commissioners to be aware of 3 reportable (projects) that are forthcoming. The projects are not scheduled to be completed until later part of this calendar year, however, at the time when the budget was reviewed it was noted that these projects were projected to be 15% over its previously approved budget, and will likely require reporting to the Commissioners.

PROPOSED RESOLUTION

Fiscal Year 2017 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2017 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2017 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 \$278.3 million and a capital budget of \$60.8 million for Fiscal Year 2017. The capital budget is to provide 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 24, 2016 Board meeting.

Motion by Commissioner Louney, Seconded by Commissioner Price to forward the proposed FY 17 Operating and Capital Budget Resolution to the full Board for consideration.

Action: Motion Carried

Other

Commissioner Nelson raised an issue concerning reporting requirements of PA95—whether Board action was required or whether a simple notice from the BWL would satisfy state law. At the request of Finance Chair Ross, General Manager Peffley assured that the proper filing for this Public Act would take place by July 1st.

Excused Absence

None.

Adjourn

Meeting adjourned by Finance Chair Ross at 8:02 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER’S RECOMMENDATIONS

No Recommendations from General Manager Peffley.

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTIONS

RESOLUTION 2016-05-01

Fiscal Year 2017 Operating and Capital Budget

RESOLVED, that the annual Operating Budget covering Fiscal Year 2017 is hereby approved as presented; and

RESOLVED, that the Fiscal Year 2017 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.

Motion by Commissioner Ross, Seconded by Commissioner Thomas to approve the Resolution approving Fiscal Year 2017 Operating and Capital Budget.

Action: Motion Carried

MANAGER’S REMARKS

General Manager Peffley stated:

- That he was named as a member of the Board of Directors of Michigan Municipal Electric Association

(MMEA) that represents 40 municipal utilities in the state of Michigan.

- The 8th annual Adopt-a-River campaign held on May 14, 2016 was very successful again this year with high participation.

COMMISSIONERS' REMARKS

Commissioner Ross addressed General Manager Peffley and his staff regarding the public comments made at the May 10, 2016 Committee of the Whole Meeting and earlier in the present Board Meeting. Specifically, Commissioner Ross inquired as to the BWL's energy efficiency rebate program and addressed the transparency allegations brought forth by the Sierra Club.

Commissioner Price presented Commissioner Froh with a Certificate of Appreciation for his service to the Board of Water of Light, as his term comes to an end June 30, 2016.

MOTION OF EXCUSED ABSENCE

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

Action: Motion Carried

PUBLIC COMMENTS

Joe Dudak, Vice President of Business Development at GridLiance, congratulated the BWL and its staff on its Integrated Resource Plan (IRP) and stated that he feels the process was open, timely and balanced. He also spoke about his company being interested in assisting the BWL with the electric power transmission portion of the IRP.

Brad Van Guilder, National Sierra Club, expressed concerns about the public comments portion of the Committee of the Whole meeting minutes of May 10, 2016. In addition he suggested that the Board of Water and Light provide the Sierra Club with its modeling data that was used in the IRP process, to allow what he feels would be more of an equal discussion.

ADJOURNMENT

On motion by Commissioner Thomas, Seconded by Commissioner Mullen the meeting adjourned at 6:05 p.m.

M. Denise Griffin, Corporate Secretary
Preliminary Minutes filed (electronically) with Lansing City Clerk: June 2, 2016
Official Minutes filed (electronically) with Lansing City Clerk: July 29, 2016