



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

LANSING BOARD OF WATER AND LIGHT

September 27, 2016

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, September 27, 2016.

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

Present: Commissioners Mark Alley, Dennis M. Louney, Anthony McCloud, Tony Mullen, David Price, Ken Ross (arrived at 5:32), and Sandra Zerkle. Non-Voting Commissioners present: Stuart Goodrich (Dehli Township), Bob Nelson (East Lansing) and Bill Long (Delta Township).

Absent: Commissioner Tracy Thomas

The Corporate Secretary declared a quorum.

Commissioner Dennis M. Louney led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Mullen, Seconded by Commissioner Alley, to approve the Regular Board Meeting minutes of July 26, 2016.

Action: Motion Carried

PUBLIC COMMENTS

Dave Errickson, Lansing, Michigan, spoke to the Board regarding the Strategic Plan's 40% renewable energy by 2030 goal and how General Motors announced its goal was 100% by 2050. He also expressed concerns regarding the Scott Park Substation providing a percentage of the downtown area's power.

Regina Strong, Director of the Beyond Coal Campaign, requested that the Board use the Strategic Plan as a baseline, not a goal, and that it continue to strive for higher energy efficiency percentages.

Brad van Guilder, Sierra Club, spoke to the Board regarding the terms “clean energy” and “renewable energy” being used interchangeably. He also provided a copy of BWL’s 2016 Renewable Energy Annual Report well as a report that projects the cost of carbon.

Steve Rall, Lansing, Michigan, spoke to the Board regarding the Community Advisory Committee for Energy Efficiency and whether its input would be included in the Strategic Plan.

Anne Woiwode, Conservation Chair, Sierra Club Michigan, spoke to the Board regarding the importance of full disclosure of information when it comes to internal discussions and information that the BWL staff is collecting. She believes the public should be made aware of this information so it can adequately advise the Board accordingly.

Kinder Wyde, Registered Nurse and Public Health Advocate, requested that the Board delay their vote on the Strategic Plan until a Health Impact Assessment could be performed and included in the IRP.

Sarah Schilio, on behalf of State Representative Sam Singh, discussed a few points from a letter emailed to the Commissioners. The letter encourages the Board to hold additional public hearings on the IRP as well as increasing the energy efficiency standards. He also encourages the Board to utilize on-bill financing for deep retro-fits. He supports having a formal analysis of dollar flows for energy fuel costs as well as a Health Impact Assessment.

COMMUNICATIONS

- a. Petition letters re: The removal of Dry Sorbent Injection (DSI) from the BWL budget.
Referred to Management and Received and Placed on File
- b. Electronic Mail from Kara Gamboa re: Payment arrangements
Referred to Management and Received and Placed on File
- c. Letter from Gridliance re: A business opportunity offering to the Board of Water and Light.
Referred to Management and Received and Placed on File
- d. Electronic Mail from Brad van Guilder re: Request for additional information.
Referred to Management and Received and Placed on File
- e. Michigan Capital Confidential news article titled: Shivering in the Dark?
Referred to Management and Received and Placed on File
- f. Late item-Letter from State Representative Sam Singh regarding the proposed Strategic Plan and the Integrated Resource Plan
Received and Placed on File and Referred to Management

COMMITTEE REPORTS

COMMITTEE OF THE WHOLE
Meeting Minutes
August 16, 2016

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

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

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

Absent: Commissioner Dennis M. Louney

Corporate Secretary declared a quorum.

Public Comments

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

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

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

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

Approval of Minutes

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

Action: Motion Carried

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

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

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

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

Roll Call Vote:

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

Nays: None.

Action: **Motion Carried.**

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

Presentation and Discussion of the Proposed Strategic Plan

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

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

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

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

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

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



BWL Strategic Plan 2016-2020



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Michigan, USA

Agenda

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



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Strategic Plans

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



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Michigan, USA

Strategic Plans (cont.)

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



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Background & Process

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



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Challenges & Opportunities

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



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Mission Statement

Current

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

Revised

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



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Commissioner Zerkle stated her concerns about the wording of the revised mission statement and believes the wording “*be responsible environmental stewards*” should remain in the statement. She also indicated that the Mission statement would be on the website and would not properly convey the Board’s commitment to the environment as worded in the proposed Mission statement.

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

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

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

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

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

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

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

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

VALUE STATEMENTS

Exceptional Service

Current

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

Revised

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

Competitive Rates

Current

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

Revised

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





Safety

Current

- ❖ The safety of our employees and customers is paramount.

Revised

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

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

Community Commitment

Current

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

Revised

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



Integrity

Current

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

Revised

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



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

Inclusion and Equity

Current

- ❖ We respect our employees as diverse individuals, and both expect and reward their excellent performance.

Revised

- ❖ The BWL values and respects the individuality and diverse background of our customers and employees and considers these an asset to the BWL and the community.



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

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

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

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

Environmental Stewardship

<p>Current</p> <p>❖ We will practice environmental stewardship by managing our resources for the benefit of future generations.</p>	<p>Revised</p> <p>❖ BWL practices and policies will demonstrate our commitment to a healthy and sustainable environment.</p>
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STRATEGIC GOALS

Strategic Goals

❖ Seven strategic goals were created from common themes that arose from both the interviews and SWOC analysis:

1. Customer Experience
2. Community Involvement
3. Effectively Acquire and Manage Resources
4. Implement New Technologies
5. Workforce
6. Financial Stability
7. BWL Leadership



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Customer Experience

- ❖ Goal: Enhance the customer experience
 - Objectives:
 1. Anticipate and meet customer expectations
 2. Improve customer interactions and communications through phone, web or mobile device
 3. Provide customer-focused rates



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


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

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

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

Effectively Acquire and Manage Resources

- ❖ Goal: Acquire and manage our assets in an efficient manner to ensure an adequate and reliable supply of utility services to the Lansing community
 - Objectives:
 1. Improve transmission and distribution reliability and flexibility
 2. Fully integrate asset management principles for each utility
 3. Maintain our status as a regional utility services provider



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

Executive Director of Operations Dave Bolan described the Transmission and Distribution plan needed to retire the Eckert plant. Since the distribution facility at Eckert serves 1/3 of the BWL's load, the plan includes 5 new substations and new transmission lines. The projects related to the first 5 years of the plan are necessary to maintain reliably standards.

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

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

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

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

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

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

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

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

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

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

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

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

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

Implement New Technologies

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



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

Workforce

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



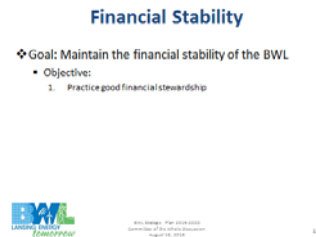
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Mr. Stojic indicated that there were a number of issues related to Workforce including recruiting and retaining new employees, transition of employees from Eckert to new positions, and loss of human capital through retirements.

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

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



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

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



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

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

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

Board Chair Price said that the Board just received the Strategic Plan last Wednesday and suggested that the Commissioners take it home and digest it and submit any suggestions, additions, and/or deletions to the

Executive Staff. Once any amendments have been incorporated, and if agreeable by all, it could be considered as an agenda item at the next Committee of the Whole meeting.

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

Public Comment

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

Other

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

Excused Absence

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

Adjourn

Meeting adjourned at 7:22 p.m.

Respectfully Submitted
Mark Alley, Chair
Committee of the Whole

COMMITTEE OF THE WHOLE
Meeting Minutes
September 13, 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 5:30 p.m. on Tuesday, September 13, 2016.

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

Present: Commissioners Mark Alley, Dennis M. Louney, Tony Mullen, 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, Tracy Thomas

The Corporate Secretary declared a quorum.

Public Comments

Brad Van Guilder, Sierra Club, stated his concerns about the proposed draft Strategic Plan and suggested that there be an explicit mention of climate change.

Approval of Minutes

Motion by Commissioner Mullen, Seconded by Commissioner Price to approve the Committee of the Whole meeting minutes of August 16, 2016.

Action: Motion Carried

Discussion of the Edits to the Proposed Strategic Plan

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

Mr. Stojic reminded the Committee that during the August 16th meeting, the proposed Strategic Plan contained seven goals as well as objectives that fell under those goals and discussion was sought and recommendations from the Commissioners were incorporated as a result of the discussion from that meeting.

The Committee was provided a redlined version of the document with the changes which also included Commissioner Long's suggestions made prior to the August 16th meeting. Mr. Stojic stated that this meeting will be another opportunity for the Commissioners to ask questions or make recommendations. He indicated that subsequent to the August 16th meeting, recommendations were received from Commissioner Nelson and those recommendations are not incorporated into the redline version but will be discussed during this meeting. Recommendations were also received from Commissioner Louney immediately prior to the start of this meeting. Those recommendations will be addressed as well. Mr. Stojic stated that his goal is to have a final draft of the Strategic Plan by the end of this meeting to allow the BWL to move forward.

Please Note: In the proposed redlined version of the Strategic Plan, Red indicates grammatical changes. Blue indicates Commissioner suggested changes.

Mr. Stojic reviewed the changes to the Plan page by page and there was dialogue along the way.

Page #5

Commissioner Nelson suggested, under the Evolving Environment and Regulatory Requirements section of the Plan, that the section be amended to read: "The BWL faces many new environmental regulations ***driven by climate change***, such as a clean power plant."

Mr. Stojic said the BWL does have environmental regulations covered, one of which is related to climate change, and suggested that the language be amended to "The BWL faces many new environmental regulations ***including those related to concern over climate change***, such as a clean power plant."

Page #6

Water regionalization changes proposed by Commissioner Long prior to the August 16th meeting were incorporated into this document.

Page #8

Mr. Stojic spoke on Objective 3: Provide Customer Focused Rates. He said Commissioner Nelson proposed inserting, at the end of that Objective "low income assistance" so that it would read: "Review and revise rate structures to respond to changing customer composition and needs such as time of use rates and low income assistance." Mr. Stojic said this section is really intended for rates only. He believes if reference to low income programming is going to be inserted into the Strategic Plan, it should be elsewhere.

Commissioner Nelson suggested adding a 4th Objection that stated “Provide low income customers with needed energy assistance”. That language was **not** accepted.

Page #8

Mr. Stojic reviewed the only change under the Community Involvement Section which was cosmetic. It was noted that the term “Greater Lansing Region” was incorporated throughout this document since the BWL participates throughout the region.

Page #9

Commissioner Nelson proposed a suggested change to Strategy #2, Objective #2. He believed the wording of subsection 1 implies that we have a partnership with ourselves. Mr. Stojic agreed with Commissioner Nelson’s suggestion to update the Objective to read “the BWL’s energy efficiency and renewal programs and a partnership with the Mayor’s Live Green Lansing Program.”

Page #10

Mr. Stojic said there was substantive discussion at the August 16th meeting regarding Strategy #3, Objective #3 regarding the balanced portfolio. He indicated that item has been addressed in Strategic Goal #7, Objective #5.

Page #11

Mr. Stojic said the only change, recommended by Commissioner Ross, was that under Strategy 5, Workforce Objective 1, the language “potential and existing employees” was added to this draft.

Page #12 and #13

Cosmetic changes only.

Page #14

Mr. Stojic spoke about the two recommended changes that were submitted by Commissioner Nelson as well those recommended by Commissioner Louney in the document he provided to the Committee prior to the start of this meeting. First were the renewable and clean energy goals. He said the BWL has inserted a goal for 2020 of 30% clean energy with a plan to expand those options as components of the BWL’s resource portfolio thereafter. The second recommendation was to include distributed generation. He said the wording “developing a distributive generation program” may be a little misleading. Mr. Stojic said the BWL does incentivize solar installations on a customer’s premises and have implemented the community’s solar programs.

Commissioner Nelson questioned that if we are going to say we encourage a demand response program, why can’t we encourage distributive generation as well. Mr. Stojic stated that the BWL really does not have a demand response program, but does have a distributed generation program.

Commissioner Louney asked if there could be a statement that the BWL shall continue to examine opportunities for distributed generation. He said that some of the things that the BWL is doing are great, should be stated in this Strategic Plan, and we should continue on with what we are doing.

Mr. Stojic said Objective 7, a recommendation from Commissioner Ross, is the development of a potential leadership program and replacement strategy for senior management at some point.

The Committee reviewed Commissioner Louney’s 7 recommendations for the Strategic Plan:

I. Distributed generation

I would like to see us consider a statement of a goal to examine distributive generation where possible. Among this line of thinking the development of a critical list of companies/buildings/services such as city hall, police and fire departments, hospitals, etc. is vital. Locating small co-generation units within some of these facilities while leasing these units with LBWL maintaining ownership and maintenance provides a stronger and more resilient utility.

Accepted

II. Greater energy efficiency

While our current goal of 30 percent is laudable, I think LBWL should try to achieve a higher standard. A possible way to achieve this may be to launch a pilot program that identifies a specific sector of the city within our service area. If we could determine the net usage of energy in this area then contact each energy user (businesses, landlords, tenants, low-income residents, senior citizens, etc.) and determine what energy efficiencies could be achieved we could evaluate the energy usage when completed.

Accepted: To State 30% or greater.

III. Connectivity with municipalities

The plan discusses implementing new technologies. I think it makes sense to discuss the rollout of smart meters and when they actually will be turned on. In addition while we are working to integrate our technologies with the City of Lansing City works software, we should be working to do the same to all the government entities within our service area.

Not Accepted

IV. Board of Commissioners

The plan discusses LBWL leadership yet there is no mention of strategic goals for the Board of Commissioners. The Commissioners should be mentioned specifically in striving for greater transparency such as televising/recording meetings; greater educational opportunities and better ways of engagement with our customers.

Not Accepted

V. Recognition of our status as a public utility

The plan does an excellent job in discussing the customer experience and community involvement. However, there should be some statement that discusses our role as a public utility and citizen/customer engagement. In the Integrated Resource Plan our Citizen Advisory Committee was integral in providing a roadmap for our staff. This should be a consideration in future planning when possible.

Already Addressed

VI. Transportation

With the push to convert from combustion engine vehicles to zero emission electric powered vehicles a statement recognizing this growing trend should be mentioned in the plan. LBWL has been a leader in Michigan in this area and we need to continue in our efforts.

Not Accepted

VII. Future possible liabilities

Because our future power generation being reliant on natural gas, an examination of possible environmental effects such as increased methane, rising costs, etc. is worth a discussion. It may not be necessary to mention tills in the plan but a statement acknowledging this may be useful.

Not Accepted

Motion by Commissioner Price, Seconded by Commissioner Zerkle to forward the Resolution for the adoption of the Strategic Plan with the inclusion of tonight's edits to the full Board for consideration.

Action: Motion Carried

Public Comment

Brad Van Guilder, Sierra Club questioned that if the Strategic Plan being voted on passes, does that also mean adoption of the IRP recommendation that was made in May?

Other

None

Excused Absence

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

Adjourn

Meeting adjourned at 6:24 p.m.

Respectfully Submitted
Mark Alley, Chair
Committee of the Whole

FINANCE COMMITTEE

Meeting Minutes
September 13, 2016

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 6:35 p.m. on Tuesday, September 13, 2016.

Acting Finance Committee Chairperson David Price called the meeting to order and asked that roll be taken.

Present: Commissioners Mark Alley, Dennis M. Louney and David Price. Also, present Commissioners Tony Mullen and Sandra Zerkle. Non-Voting Members Present: Commissioners Stuart Goodrich (Delhi), Bill Long (Delta Township) and Bob Nelson (East Lansing).

Absent: Commissioner Ken Ross

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

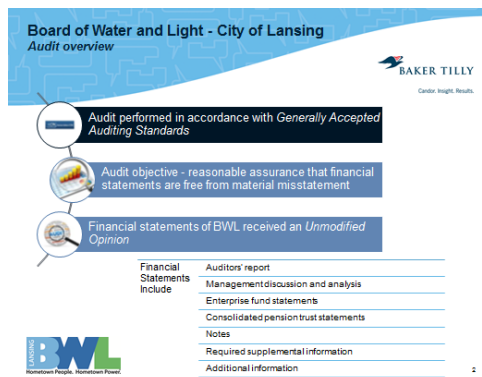
Motion by Commissioner Alley, Seconded by Commissioner Louney, to approve the Finance Committee meeting minutes of July 12, 2016.

Action: Motion Carried.

Baker Tilly External Audit Report- Resolution

Heather Shawa-DeCook, Chief Financial Officer (CFO), introduced external auditor Jodi Dobson, Partner with the Certified Public Accounting Firm, Baker Tilly, Virchow Krause LLP, who presented and reviewed the auditing process, observations and recommendations, and also covered the required communication to the governing body for the various Board of Water and Light reports. The enterprise fund and the three pension funds, Defined Contribution Plan (DC Plan), Defined Benefit Plan (DB Plan), and the VEBA Benefit Trust, which all received an unmodified audit opinion.

Ms. Dobson’s presentation was as follows:



Board of Water and Light - City of Lansing
Audit overview



Candid. Insight. Results.



Audit assesses internal controls

"...a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources"



Controls must meet the goal and objectives of Operations, Reporting and Compliance



3

Board of Water and Light - City of Lansing
Audit overview



Candid. Insight. Results.

Controls reviewed in key transaction areas

- Disbursements
- Payroll
- Billings
- Cash and investments
- Capital assets
- Information technology
- Financial reporting



4

Board of Water and Light - City of Lansing
Observations and recommendations
Enterprise Fund



Candid. Insight. Results.

- > Reported net income of \$900,000 after impairment on Eckert Power Station of \$15,763,000
- > Bond coverage was met in 2016
- > There were no material weaknesses reported
- > Combined deficiencies in control related to information technology resulted in a significant deficiency
- > GASB Statement No. 72 disclosures related to fair value were implemented as required



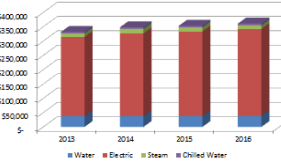
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Board of Water and Light - City of Lansing
Observations and recommendations
Enterprise Fund



Candid. Insight. Results.

Operating Revenues – Four-year Comparison (in thousands)



	2013	2014	2015	2016
Water	\$ 37,444	\$ 37,247	\$ 37,910	\$ 38,751
Electric	277,157	289,154	295,548	303,248
Steam	12,029	16,524	14,959	12,683
Chilled Water	5,140	5,387	5,568	6,378
Operating Revenue	\$ 331,770	\$ 348,312	\$ 353,985	\$ 360,958



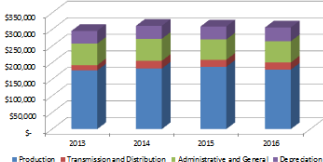
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Board of Water and Light - City of Lansing
Observations and recommendations
Enterprise Fund



Candid. Insight. Results.

Operating Expenses – Four-year Comparison (in thousands)



	2013	2014	2015	2016
Production	\$ 176,677	\$ 182,244	\$ 187,752	\$ 178,958
Transmission and Distribution	15,647	23,083	20,870	21,595
Administrative and General	65,096	66,583	61,298	64,007
Depreciation	38,298	38,997	39,104	41,542
Operating Expenses	\$ 295,718	\$ 310,917	\$ 308,024	\$ 306,102



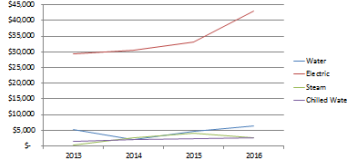
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Board of Water and Light - City of Lansing
Observations and recommendations
Enterprise Fund



Candid. Insight. Results.

Operating Income – Four-year Comparison (in thousands)



	2013	2014	2015	2016
Water	\$ 5,333	\$ 2,036	\$ 4,637	\$ 6,397
Electric	29,308	30,566	33,250	43,052
Steam	950	2,691	4,223	2,735
Chilled Water	1,854	1,953	2,351	2,851
Operating Income	\$ 36,495	\$ 37,206	\$ 44,461	\$ 54,835



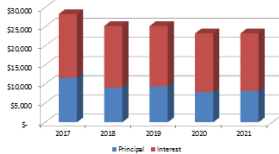
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Board of Water and Light - City of Lansing
Observations and recommendations
Enterprise Fund



Candid. Insight. Results.

Future Debt Service Requirements (in thousands)



	2017	2018	2019	2020	2021
Principal	\$ 11,642	\$ 8,986	\$ 9,371	\$ 7,839	\$ 8,184
Interest	16,650	16,184	15,777	15,391	15,048



Debt service after 2021 includes remaining principal payments of \$329,970,000 and interest payments of \$270,138,000.

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Board of Water and Light - City of Lansing
Observations and recommendations
Pension Plans



Candid. Insight. Results.

- > Separate financial statements issued for each pension plan
- > GASB Statement No. 72 was implemented for all three plans
- > All three plans received unmodified audit opinions



10

Board of Water and Light - City of Lansing
Auditor communication to those charged with governance



Candid. Insight. Results.

Area to be Communicated	Area to be Communicated
Our responsibility under Auditing Standards Generally Accepted in the United States	Other Information in Documents Containing Audited Financial Statements
Planned Scope and Timing of the Audit	Accounting Policies
Accounting Estimates	Financial Statement Disclosures
Difficulties Encountered in Performing the Audit	Corrected and Uncorrected Misstatements
Disagreements with Management	Consultations with Other Independent Accountants
Management Representations	Auditor Independence



11

Future accounting standards

- > GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans other than Pension Plans* – effective for fiscal year 2017
- > GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* – effective for fiscal year 2018

11



We appreciate the help of the Board of Water and Light General Accounting & Finance Teams in preparing for and assisting in the audit!



12



Discussion



13

Motion by Commissioner Louney, Seconded by Commissioner Alley to forward the Resolution for the acceptance of the Audited Financial Statements and the Enterprise Fund and Pension Fiduciary Fund to the full board for consideration.

Action: Motion Carried

Preliminary July Financial Highlights

Heather Shawa-DeCook, Chief Financial Officer (CFO), reported that the July Financial results are still underway and would be reported at a later date.

Ms. Shawa-DeCook informed the Committee that the BWL is taking advantage of an opportunity for an advanced refunding of 2008 A-Bonds, which entails significant interest savings.

DB and VEBA Investment Policy Statements-Resolution

Chief Financial Officer Heather Shawa-DeCook provided an overview of the revised Investment Policy Statements (documents) in which the Board's approval is necessary. The reviewed documents include:

- 1. Revised Investment Policy Statement for Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions (the "Defined Benefit Plan")*
- 2. Revised Investment Policy Statement Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (the "Retiree Medical Benefit Plan")*
- 3. First Amendment to the Pension Plan Trust*
- 4. First Amendment to the Retiree Benefit Plan Trust*
- 5. Resolution which captures the above 4 documents and creates a Retirement Plan Committee.*

Recommendations as indicated in the Executive Summary:

Summary Recommendation

Senior Management recommends approval of the Defined Benefit Plan IPS and the Retiree Medical Benefit Plan IPS. Senior Management also recommends approval of the First Amendment to the Defined Benefit Plan Trust, the First Amendment to the Retiree Medical Benefit Plan Trust, and the creation of the Retirement Plan Committee. The proposed Retirement Plan Committee members will consist of the Chief Financial Officer (Chair), Executive Director of Human Resources, and Manager of Finance.

After some dialogue regarding the use of the word “Trustee” in the proposed Resolution, the following motion was offered:

Motion by Commissioner Louney, Seconded by Commissioner Alley, to forward the proposed resolution with an amendment to state “Trustee(s)” in the document to the full Board for consideration.

Action: Motion Carried

Public Comment

None

Other

None

Excused Absence

Motion by Commissioner Alley, Seconded by Commissioner Louney, to excuse Commissioner Ross from tonight’s meeting.

Action: Motion Carried

Adjourn

On Motion by Commissioner Alley, Seconded by Commissioner Louney, the meeting adjourned at 7:12 p.m.

Respectfully submitted
David Price, Acting Chair
Finance Committee

MANAGER’S RECOMMENDATIONS

There were no Recommendations from General Manager Peffley.

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

There was no New Business.

RESOLUTIONS

RESOLUTION 2016-09-01

STRATEGIC PLAN ADOPTION

BE IT RESOLVED; That the Lansing Board of Water and Light Board of Commissioners adopts the Strategic Plan as approved by the Committee of the Whole on September 13, 2016.

Motion by Commissioner Zerkle, Seconded by Commissioner Mullen to approve the Resolution adopting the Strategic Plan.

Action: Motion Carried

RESOLUTION 2016-09-02

FISCAL YEAR 2016 AUDITED FINANCIAL STATEMENTS
OF THE ENTERPRISE FUND AND PENSION FIDUCIARY FUND

RESOLVED, that the fiscal year 2016 Audited Financial Statements of the Board of Water and Light have been reviewed and are hereby accepted as presented.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2016 Audited Financial Statements of the Board of Water and Light and the report on auditing procedures with the State Treasurer as required by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended) no later than December 31, 2016.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2016 Audited Financial Statements of the Board of Water and Light with the City of Lansing.

Motion by Commissioner Ross, Seconded by Commissioner Alley to approve the Resolution adopting the Fiscal Year 2016 Audited Financial Statements of the Enterprise Fund and Pension Fiduciary Fund.

Action: Motion Carried

RESOLUTION 2016-09-03

AMENDMENT OF PENSION PLAN TRUST; AMENDMENT OF RETIREE BENEFIT PLAN AND TRUST;
REVISED INVESTMENT POLICY STATEMENTS; CREATION OF RETIREMENT PLAN COMMITTEE;
AND DELEGATION OF AUTHORITY.

WHEREAS, the Board of Water and Light (the "Sponsor") sponsors the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions (the "Defined Benefit Plan") and the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light (the "Retiree Medical Benefit Plan"); and

WHEREAS, the Sponsor has decided to create a formal committee to which the Sponsor will delegate discretionary authority and responsibility for the discharge of certain of its duties relating to the Defined Benefit Plan and the Retiree Medical Benefit Plan; and

WHEREAS, the Sponsor has legal authority pursuant to the Defined Benefit Plan and to the Retiree Medical Benefit Plan to create the committee and to delegate certain duties to the committee; and

WHEREAS, the Sponsor wants to amend the Pension Plan Trust relating to the Defined Benefit Plan for the purpose of implementing the terms of the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives; and

WHEREAS, the Sponsor wants to amend the Retiree Benefit Plan and Trust Agreement relating to the Retiree Medical Benefit Plan for the purpose of implementing the terms of the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light Statement of Investment Policies, Procedures and Objectives.

THEREFORE, it is:

RESOLVED, that the Sponsor approves and adopts the First Amendment to the Pension Plan Trust relating to the Lansing Board of Water and Light Defined Benefit Plan for Employees' Pensions effective as indicated therein.

FURTHER RESOLVED, that the Sponsor approves and adopts the First Amendment to the Lansing Board of Water and Light Retiree Benefit Plan and Trust Agreement relating to the Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water and Light effective as indicated therein.

FURTHER RESOLVED, that, after its review, and based on a recommendation from management, the Sponsor adopts and approves: (i) the attached Lansing Board of Water & Light Defined Benefit Plan for Employees' Pensions Statement of Investment Policies, Procedures and Objectives; and (ii) the attached Post-Retirement Benefit Plan for Eligible Employees of Lansing Board of Water & Light Statement of Investment Policies, Procedures and Objectives.

FURTHER RESOLVED, that the Sponsor hereby creates a committee effective September 27, 2016 the name of which shall be the "Retirement Plan Committee," and the Sponsor appoints the following individuals to serve on the Retirement Plan Committee: Chief Financial Officer, Executive Director of Human Resources, and the Manager of Finance. The Sponsor appoints the Chief Financial Officer to serve as chair of the Committee. Each Retirement Plan Committee member shall serve on the Committee until his or her resignation or removal from the Committee. The presence of a majority of Committee members shall constitute a quorum and will be sufficient to conduct the business of the Committee. Actions of the Committee shall be authorized by a vote of a majority of the Committee members present at a meeting at which a quorum is present. Any action which may be taken at a Committee meeting may be taken without such meeting if consent to the action in writing (including by electronic mail), setting forth the action so taken, is signed by all of the then-serving members of the Committee.

FURTHER RESOLVED, that the Sponsor acknowledges that the Trustee (also known as Trustees) intends to delegate to the Retirement Plan Committee certain duties relating to the investment of Defined Benefit Plan assets and to the investment of Retiree Medical Benefit Plan assets. The Sponsor does not delegate to the Committee authority to amend, freeze or terminate the Defined Benefit Plan or the Retiree Medical Benefit Plan.

FURTHER RESOLVED, that the Sponsor indemnifies and holds harmless each member of the Committee from and against all liability of any kind, including, without limitation, court costs, attorneys' fees and other expenses that arise from any legal or administrative proceeding of any kind that is brought by any person, entity or government agency in connection with the Committee's discharge of its duties relating to the Defined Benefit Plan and to the Retiree Medical Benefit Plan; provided, however, that this indemnification shall not apply with regard to any proceeding in which a Committee member is found to have been grossly negligent or to have violated a law or committed a crime.

Motion by Commissioner Ross, Seconded by Commissioner Mullen to approve the Resolution for Amendment of Pension Plan Trust; Amendment of Retiree Benefit Plan and Trust; Revised Investment Policy Statements; Creation of Retirement Plan Committee; and Delegation of Authority.

Action: Motion Carried

MANAGER'S REMARKS

General Manager Peffley stated for the record that the Michigan Capital Confidential posted an interview that was conducted with him prior to his meeting with the National level of the Sierra Club and since then there have been three positive meetings. Mr. Peffley also stated his appreciation to the Lansing City Council for the 7-1 vote on the Central Substation matter.

COMMISSIONERS' REMARKS

There were no Remarks from Commissioners.

MOTION OF EXCUSED ABSENCE

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

Action: Motion Carried

PUBLIC COMMENTS

Dave Errickson, Lansing, Michigan, spoke to the Board regarding his concerns over not having a Health Impact Assessment. He urges the Board to have the assessment performed sooner rather than later.

Brad van Guilder, Sierra Club, spoke about his concerns over not having a Health Impact Assessment. He suggests that the Board look at alternative considerations that increase renewables because they have less of a health impact. He also inquired about a response to a previous information request.

ADJOURNMENT

Chair Price adjourned the meeting at 6:10 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: October 4, 2016

Official Minutes filed (electronically) with Lansing City Clerk: November 21, 2016