



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING
LANSING BOARD OF WATER AND LIGHT

July 26, 2016

The Board of Commissioners met at the 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, July 26, 2016.

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

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

Absent: Commissioner Dennis M. Louney

The Corporate Secretary declared a quorum.

Commissioner Mark Alley led the Pledge of Allegiance.

Without objection Chairperson David Price amended the agenda to include a Special Ceremony to present General Manager Peffley with a Resolution of Tribute to honor his 40 years of service to the Board of Water and Light.

SPECIAL CEREMONY-TRIBUTE TO BWL GENERAL MANAGER RICHARD "DICK" PEFFLEY

Chairperson David Price presented General Manager Dick Peffley with a Resolution of Tribute on behalf of his 40 years of service to the BWL. Chairperson David Price announced and introduced a special guest: the Honorable Mayor Virg Bernero, who congratulated General Manager Peffley for his 40 years of service.

Motion by Commissioner Zerkle, Seconded by Commissioner Thomas to approve the Resolution of Tribute honoring General Manager Peffley for his 40 years of service to the BWL and the community.

Action: Motion Carried

ELECTION OF OFFICERS FY 2016-2017

Chairperson David Price recognized Commissioner Anthony McCloud, who chaired the Nominating Committee.

Commissioner McCloud presented the June 21, 2016 Nominating Committee Report, from which the proposed slate of officers for Fiscal Year 2016-2017, is as such: Commissioner David Price serving as Chairperson; and Commissioner Mark Alley serving as Vice Chairperson. With no nominations from the floor for the office of Chairperson or Vice Chairperson, the following motion was offered:

Motion by Commissioner Mullen, Seconded by Commissioner Thomas, to approve the presented slate of officers for 2016-2017 as proposed by the Nominating Committee as:

Commissioner David Price serving as the Chairperson
Commissioner Mark Alley serving as the Vice Chairperson

Action: Motion Carried

Chair Price thanked everyone for their vote of confidence and pledged to continue to work hard in his leadership role as he has done the last two years.

APPROVAL OF MINUTES

Motion by Commissioner Thomas, Seconded by Commissioner Mullen to approve the Regular Board Meeting minutes of May 24, 2016.

Action: Motion Carried

PUBLIC COMMENTS

Regina Strong, Sierra Club, Director of the Beyond the Coal Campaign, spoke about the communication in the Board meeting packet regarding access to information during the IRP process. She thanked General Manager Peffley, George Stojic and Steve Brennan for attending a recent meeting with the Sierra Club to allow items identified in the letter to be addressed.

Brad van Guilder, Sierra Club, spoke about the recent meeting with the Sierra Club, General Manager Peffley, George Stojic, Steve Brennan and Sierra Club consultants. Mr. van Guilder said they identified some items for explanations and correction of the modeling. (Mr. van Guilder provided the Board of Commissioners with a copy of the FOIA response received by the Sierra Club from the BWL FOIA Coordinator).

Dave Errickson, Sierra Club, spoke regarding the data and assumptions used in the IRP Process, the retirement of Erickson and Eckert plants, and the avoidance of new infrastructure. He also submitted a petition letter in support of removing Dry Sorbent Injection (DSI) from the budget due to what he believes has immediate health side effects signed by the following individuals:

Dave Errickson	Jordan Priebe	Maria Dellacorte	Julia O'Connor	William Haggerty
Emily Haggerty	Suzanne Love	Joy Torrenga	Marites Woodbury	Timothy Hagerman
Heath Post	Debra Wolf	Michael Casler	Dan Nowiski	Loren Clift
Stephen Batzer	Mark Wright	Robert Blanchard	Alexis Ray	Angie Liberato
Phillip Wells	Erin Early	Christine Barrett	Julie Larson	Barbara Worgess
Stephen Cessna	Barbara Schmidt	Macie Schriener	John de Vries	Judith Benedict
David Devinney	Steven Sy	Ron Holley	Katharine Gabele Douglass	Cecilia Garcia
Mark Miser	Carol Rall	Bob Johns	Andy Szejda	Liutauras Gedivllas

COMMUNICATIONS

- a. Email from Scott Boehme, E. Lansing, MI re: The installation of a Geothermal power plant
Referred to Management. Received and Placed on File
- b. Email from Kyle Shumaker, business owner re: A recent power outage
Referred to Management. Received and Placed on File
- c. Letter from Brad van Guilder of the Sierra Club re: Access to the Board of Water and Light’s Integrated Resource Planning (IRP) information
Referred to Management. Received and Placed on File

INTRODUCTION OF NEW COMMISSIONER

Chairperson David Price introduced and welcomed BWL’s newest Commissioner, Mr. Stuart Goodrich representing Delhi Township.

COMMITTEE REPORTS

HUMAN RESOURCES COMMITTEE

Meeting Minutes

May 31, 2016

The Human Resources 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 5:30 p.m. on Tuesday, May 31, 2016.

Human Resources (HR) Committee Chairperson Tony Mullen called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tony Mullen, Sandra Zerkle, and Anthony McCloud. Also present: Commissioners Dennis M. Louney, David Price and Ken Ross (arrived 5:40p.m.); and Non-Voting Commissioners Bill Long (Delta Township) and Robert Nelson (E. Lansing).

Absent: Commissioner Mark Alley

Public Comments

None

Approval of Minutes

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to approve the Human Resources Committee meeting minutes of March 15, 2016.

Action: Motion Carried.

FY 2017 Board Appointee Performance Reviews

Corporate Secretary

Corporate Secretary M. Denise Griffin requested a closed session for the purpose of receiving her contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner Zerkle, seconded by Commissioner McCloud, to enter into closed session to discuss the contractual year-end performance evaluation of Corporate Secretary M. Denise Griffin.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 5:33 p.m.

The Human Resources Committee reconvened to open session at 6:01 p.m.

Internal Auditor

Internal Auditor, Phil Perkins, requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to enter into closed session to discuss the contractual year-end performance evaluation of Internal Auditor, Phil Perkins.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 6:02 p.m.

The Human Resources Committee reconvened to open session at 6:24 p.m.

General Manager

General Manager Richard Peffley requested a closed session for the purpose of receiving his contractual year-end performance evaluation as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to enter into closed session to discuss the contractual year-end performance evaluation of General Manager, Richard Peffley.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 6:25 p.m.

The Human Resources Committee reconvened to open session at 6:45 p.m.

Upon conclusion of the Closed Sessions, the following motions were offered:

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to forward a resolution reappointing M. Denise Griffin to the Charter position of Corporate Secretary for FY17 to the full Board for the consideration.

Action: Motion Carried.

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to forward a resolution reappointing Phil Perkins to the Charter position of Internal Auditor for FY17 to the full Board for consideration.

Action: Motion Carried.

Motion by Commissioner McCloud, seconded by Commissioner Zerkle, to forward a resolution reappointing Richard (Dick) Peffley to the Charter position of General Manager for FY17 to the full Board for consideration.

Action: Motion Carried.

HR Chair Mullen stated that the reappointment resolutions will be taken under consideration at the July Regular Board meeting.

Subsequent Steps for Board Appointed Employees Contracts

Motion by Commissioner Zerkle, seconded by Commissioner McCloud, to charge the HR Chair and the Board Chair with the task of working with the appointed employees, on behalf of the Board of Commissioners, on their respective annual merit considerations.

Action: Motion Carried.

Excused Absence

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to excuse Commissioner Alley from tonight's meeting.

Action: Motion Carried.

Other

Human Resources Chair Mullen reminded everyone that June 7th is the cutoff date for submitting the 2016-2017 Officer and Committee Survey forms to the Corporate Secretary.

Public Comments

None

Adjourn

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to adjourn the meeting.

Action: Motion Carried

Meeting adjourned at 6:48 p.m.

Respectfully Submitted,
Tony Mullen, Chair
Human Resources Committee

**HUMAN RESOURCES COMMITTEE
Meeting Minutes
June 21, 2016**

The Human Resources 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 5:30 p.m. on Tuesday, June 21, 2016.

Human Resources (HR) Committee Chairperson Tony Mullen called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tony Mullen, Anthony McCloud and Sandra Zerkle. Also present: Commissioners Ken Ross (arrived 5:33p.m.) and Tracy Thomas; and Non-Voting Commissioner Bill Long (Delta Township)

Absent: Commissioner Mark Alley

Public Comments

None

Approval of Minutes

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to approve the Human Resources Committee meeting minutes of May 31, 2016.

Action: Motion Carried.

Discussion re: Salary/Benefit Adjustments for BWL's Charter Appointed Employees

HR Chair Mullen and Board Chair Price by motion were charged with the task of working with the Board's appointed employees, on behalf of the Board of Commissioners, on their respective annual merit considerations. HR Chair Mullen informed the Committee that he has had the opportunity to have a discussion with the appointed employees regarding adjustments to their contract. He stated that the Corporate Secretary's contract has now been modeled to be in line with the General Manager's contract which reflects the new charter amendment. (Chapter 4 Section 6-401)

Corporate Secretary

Corporate Secretary M. Denise Griffin requested to go into closed session for the purpose of discussing proposed contract adjustments as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner Zerkle, seconded by Commissioner McCloud, to enter closed session to allow discussion regarding contract adjustments for the Corporate Secretary M. Denise Griffin.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 5:34 p.m.

The Human Resources Committee reconvened to open session at 5:44 p.m.

The closed section meeting was not authorized by MCL 15.268(a) and as a result the discussed information must be open:

The Corporate Secretary's wages were noted as \$94,200.

The Severance Package is being removed from the Corporate's contract as required by the Charter Amendments.

Internal Auditor

Internal Auditor Phil Perkins requested to go into closed session for the purpose of discussing proposed contract adjustments as permitted by the Open Meetings Act exemption MCL 15.268(a).

Motion by Commissioner Zerkle, seconded by Commissioner McCloud, to enter closed session to allow discussion regarding contract adjustments for Internal Auditor Phil Perkins.

Roll Call Vote:

Yeas: Commissioners Anthony McCloud, Tony Mullen, Sandra Zerkle.

Nays: None.

Action: Motion Carried.

The Human Resources Committee went into closed session at 5:45 p.m.

The Human Resources Committee reconvened to open session at 5:53 p.m.

The closed section meeting was not authorized by MCL 15.268(a) and as a result the discussed information must be open:

The Internal Auditor's wages were noted as \$135,821.

General Manager

HR Chair Mullen stated that General Manager Peffley was not in attendance at tonight's meeting, that his contract would be distributed to the Commissioners and, if necessary, there could be a brief meeting at a later date.

Excused Absence

Motion by Commissioner Zerkle, Seconded by Commissioner McCloud, to excuse Commissioner Alley from tonight's meeting.

Action: Motion Carried.

Other

None

Public Comments

None

Adjourn

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle, to adjourn the meeting.

Action: Motion Carried

Meeting adjourned at 5:58 p.m.

Respectfully Submitted,
Tony Mullen, Chair
Human Resources Committee

**NOMINATING COMMITTEE MINUTES
June 21, 2016**

The Nominating Committee of the Lansing Board of Water and Light met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 6:00 p.m. on Thursday, June 21, 2016.

Committee Chair, Anthony McCloud called the meeting to order and asked the Corporate Secretary to call the roll. The following committee members were present: Commissioners Anthony McCloud, Tony Mullen, Ken Ross and Tracy Thomas. Also present was Commissioner Dennis M. Louney.

Absent: None

Approval of Minutes

Motion by Commissioner Mullen, seconded by Commissioner Thomas to approve the Nominating Committee meeting minutes of June 23, 2015.

Action: Motion Carried

Public Comment

There were no public comments.

Officer & Committee Survey Results & Officer & Committee Survey Memorandum

Nominating Committee Chair Anthony McCloud stated that the Officer Committee Survey Results Forms and Committee Survey Memorandum were included in the Nominating Committee meeting packet for review and asked if there were any questions regarding the documents. There were no questions.

Nomination of Board Officer Candidates for Fiscal Year 2016-2017 Chairperson

Nominating Committee Chair McCloud opened the floor for the Officer position of Chairperson. The following motion was offered:

Motion by Commissioner Ross, Seconded by Commissioner Mullen to nominate Commissioner David Price to serve as the Chairperson for the 2016-2017 fiscal year.

Action: Carried Unanimously

Commissioner Thomas stated for the Record that he has been very impressed with Commissioner Price's leadership and that's why he voted yes for him to serve as the Chairperson, and believes that having him serve a third term is really healthy for the commission.

Vice Chairperson

Nominating Committee Chair McCloud opened the floor for the Officer position of Vice Chairperson Nominations and the following motion was offered:

Motion by Commissioner McCloud to nominate Commissioner Sandra Zerkle to serve in the Officer position of

Vice Chairperson.

Action: Motion died with no Second.

Motion by Commissioner Mullen, Seconded by Commissioner Anthony McCloud to nominate Commissioner Mark Alley to serve in the Officer position of Vice Chairperson.

Action: Motion Carried (3/1 Ross dissenting)

Motion by Commissioner Mullen, Seconded by Commissioner Thomas to present the slate of Officers for 2016-2017 to the full Board for consideration is as follows:

Chair:	David Price
Vice Chair:	Mark Alley

Nominating Committee Chair McCloud stated that nominations would be taken from the floor at the July 26th Regular Board meeting.

Excused Absence

None

There being no further business, the meeting adjourned at 6:09 p.m.

Respectfully submitted,
Anthony McCloud, Chair
Nominating Committee

**FINANCE COMMITTEE
July 12, 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 5:30 p.m. on Tuesday, July 12, 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 and Tracy Thomas. Also, present Commissioners Tony Mullen, Sandra Zerkle and Non-Voting Members Stuart Goodrich (Delhi Township), Bill Long (Delta Township), Bob Nelson (E. Lansing).

Absent: None.

The Corporate Secretary declared a quorum.

Approval of Minutes

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

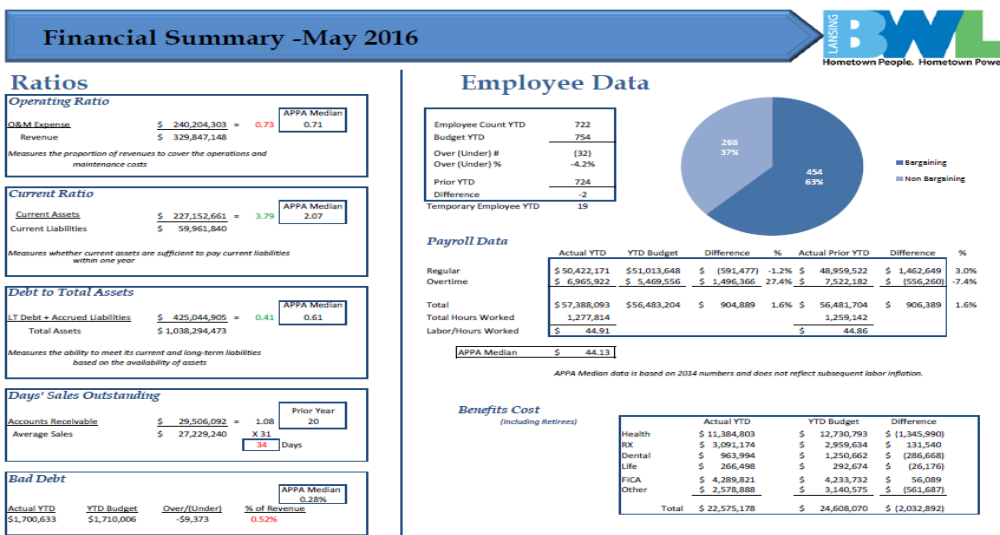
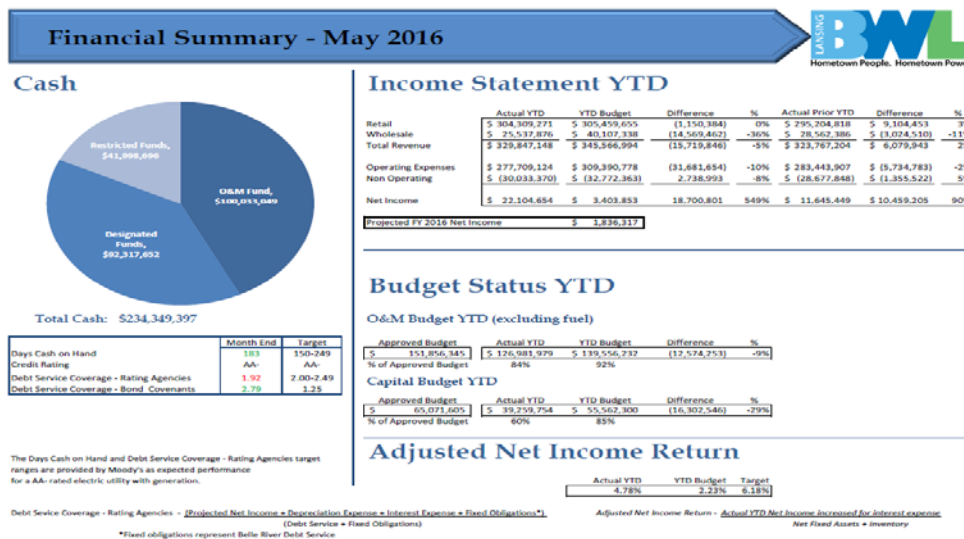
Action: Motion Carried.

Public Comment

None.

YTD Financial Overview

Chief Financial Officer Heather Shawa-DeCook presented the May 2016 Financial Summary below:



Six Year Forecast Overview/Resolution

Chair Ross suggested reviewing the PowerPoint presentation page by page to address any questions.

Chief Financial Officer Heather Shawa-DeCook presented the FY 2017-2022 Financial Plan as follows:

FY 2017-2022 Financial Plan

- Six-Year Operating Forecast
 - Financial Goals
 - Financial Assumptions
 - Rate of Return
- Six-Year Capital Forecast
- Already Completed and Next Steps

Financial Goals

- Maintain credit quality
 - BWL is currently a AA- Rated Utility
- Ensure adequate liquidity
 - Ability to meet near term obligations when due
 - Target Days Cash on Hand Range 150-249*
 - Target Debt Service Coverage 2.00-2.49*
- Maintain rate competitiveness
- 4.81% Rate of Return

Chief Financial Officer Heather Shawa-DeCook noted to the Committee the Board of Water and Light's AA- credit rating and the benefits maintaining that status. She stated that there is a cost to having higher top quality ratings; therefore all considerations should be understood.

In addition, there was discussion regarding future plans to ensure that the BWL is competitive with regard to rates of other utilities. General Manager Peffley provided a few of his ideas regarding this matter which include having at least a 10% residential rate differential between the BWL and the nearest competitor.

Rate of Return

- In August 2008, the Board approved a target rate of return of 6.18%
- The rate of return was determined using a methodology provided by Utility Financial Solutions and used by municipal utilities where the Board also indicated that the approach should allow for flexibility to adjust the calculated return upward for large construction projects and other unusual circumstances.
- Under this methodology, a rate of return is calculated that blends the utilities borrowing rate with double the inflation rate
- This return allows the utility to pay for interest costs and also provides for the replacement of aging infrastructure as it is removed from service
- The target return in dollars is calculated by multiplying the rate of return by the utility's rate base which includes net fixed assets and inventory
- The rate of return achieved is calculated with the following formula:
 - $(\text{Net Income} - \text{Interest Income} + \text{Interest Expense}) / (\text{Net Fixed Assets} + \text{Inventory})$
- The rate of return has been recalculated using current inflation, debt rate, and rate base information. With the updated information, the needed return is calculated at 4.81%.
- The forecast presented is based on the updated return calculation of 4.81%.

Financial Assumptions

- Projected sales levels
 - Electric – Slight increase in retail sales and decline in wholesale sales reflecting lower wholesale market prices and the 2020 removal of generation provided by Eckert.
 - Water – Retail sales held constant for forecast period. Slight increase in wholesale.
 - Steam – Held constant.
 - Chilled Water – Held constant.
- Operating expenses are forecast to increase from FY 2017 through FY 2022 at an annual 2.4% inflationary rate.*
- Any potential impact related to Eckert replacement generation has not been included in this forecast.
- Upcoming labor contract negotiations has not been included.

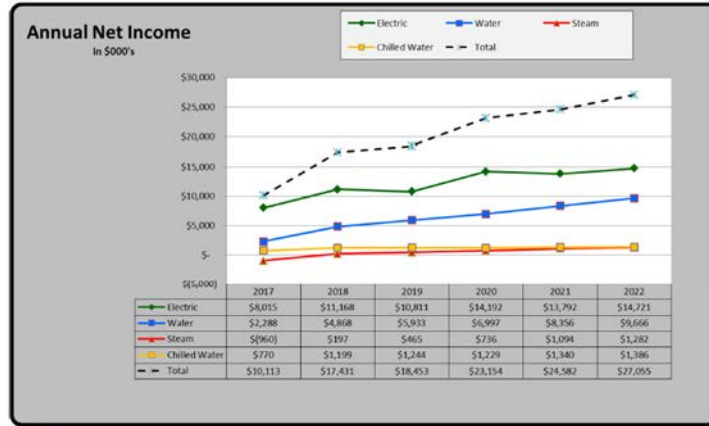
Chief Financial Officer Heather Shawa-DeCook stated that based on forecasted recommendations at the end of the six year period the BWL will achieve the target 4.81 % Rate of Return.

FY 2017 - FY 2022 Six Year Forecast							
In \$000's	2017	2018	2019	2020	2021	2022	
Rate Increase:							
Electric	0.0%	2.4%	2.4%	2.4%	2.4%	2.4%	2.4%
Water	0.0%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Steam	0.0%	5.4%	5.4%	5.4%	5.4%	5.4%	5.4%
Chilled Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (Loss):							
Electric	\$ 8,015	\$ 11,168	\$ 10,811	\$ 14,192	\$ 13,792	\$ 14,721	
Water	\$ 2,288	\$ 4,868	\$ 5,933	\$ 6,997	\$ 8,356	\$ 9,666	
Steam	\$ (960)	\$ 197	\$ 465	\$ 736	\$ 1,094	\$ 1,282	
Chilled Water	\$ 770	\$ 1,199	\$ 1,244	\$ 1,229	\$ 1,340	\$ 1,386	
Total Net Income	\$ 10,113	\$ 17,431	\$ 18,453	\$ 23,154	\$ 24,582	\$ 27,055	
Return on Rate Base							
Electric	3.9%	4.2%	4.0%	4.5%	4.5%	4.8%	
Water	1.8%	2.9%	3.2%	3.6%	4.2%	4.8%	
Steam	1.5%	3.5%	3.8%	4.0%	4.5%	4.8%	
Chilled Water	4.9%	6.5%	6.8%	6.8%	7.3%	7.6%	
Total	3.1%	3.8%	3.8%	4.3%	4.5%	4.9%	
Unrestricted Cash Balance	\$ 137,301	\$ 102,237	\$ 88,018	\$ 91,828	\$ 108,907	\$ 117,473	
Days Cash on Hand	167	123	111	116	136	138	
Debt Service Coverage	1.94	2.16	2.51	2.63	2.58	2.70	



Finance Chair Ross emphasized that the progression for the Rate on Return Base, for any year between 2017 and 2022 would not actually be achieved, but if the BWL pursued the outlined strategy as indicated in the PowerPoint graph (see above) and if the assumptions are correct, by the end of that 6 year period, the target rate of 4.81 would be met.

Annual Net Income by Utility



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In response to a question regarding the net income of steam, General Manager Peffley stated that there is an ongoing expense with steam and the BWL has a plan to replace all steam infrastructures. Revenue in that area continues to decline, mainly as a result of a large steam utility customer creating a technology to produce its own steam. However, the Board of Water and Light expects to return to the positive with projected rate increases to hit and support the long-term Rate of Return.

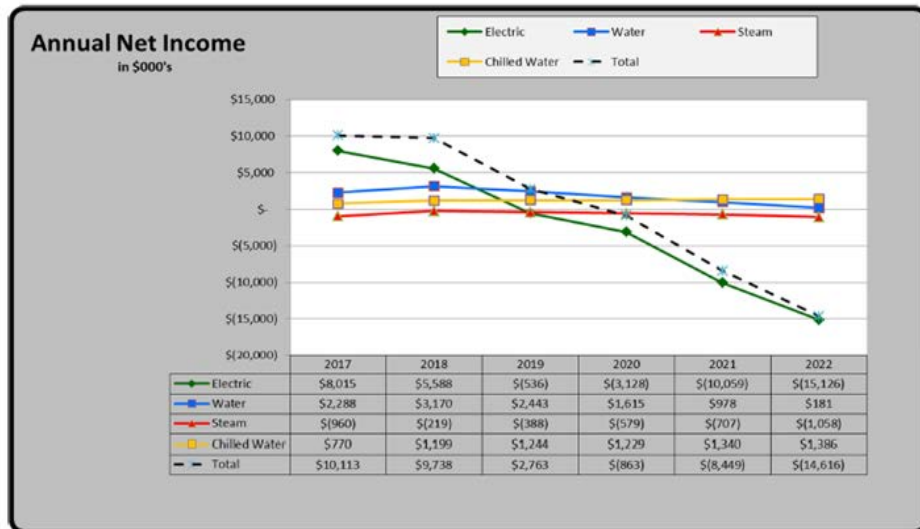
Without Forecast Rate Increases

FY 2017 - FY 2022 Six Year Forecast						
In \$000's	2017	2018	2019	2020	2021	2022
Rate Increase:						
Electric	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Steam	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chilled Water	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income (Loss):						
Electric	\$ 8,015	\$ 5,588	\$(536)	\$(3,128)	\$(10,059)	\$(15,126)
Water	\$ 2,288	\$ 3,170	\$ 2,443	\$ 1,615	\$ 978	\$ 181
Steam	\$(960)	\$(219)	\$(388)	\$(579)	\$(707)	\$(1,058)
Chilled Water	\$ 770	\$ 1,199	\$ 1,244	\$ 1,229	\$ 1,340	\$ 1,386
Total Net Income	\$ 10,113	\$ 9,738	\$ 2,763	\$(863)	\$(8,449)	\$(14,616)
Return on Rate Base						
Electric	3.9%	3.0%	1.7%	1.0%	-0.3%	-1.1%
Water	1.8%	2.1%	1.7%	1.3%	1.0%	0.6%
Steam	1.5%	2.8%	2.4%	1.9%	1.7%	1.1%
Chilled Water	4.9%	6.5%	5.8%	6.8%	7.3%	7.6%
Total	3.1%	2.9%	1.9%	1.3%	0.4%	-0.2%
Unrestricted Cash Balance	\$ 137,301	\$ 94,544	\$ 64,635	\$ 44,448	\$ 28,497	\$(4,608)
Days Cash on Hand	167	114	82	57	36	-5
Debt Service Coverage	1.94	1.98	2.08	1.99	1.72	1.61



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Annual Net Income by Utility Without Forecast Rate Increases



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General Manager Peffley stated previously steam and water were heavily subsidized by electric, but the company has worked hard the past years toward having each utility stand on its own.

Capital Forecast FY 2017-FY2022 Six Year

**CAPITAL PROJECTS SUMMARY
SIX YEAR FORECAST FY 2017 - FY 2022
BOARD OF WATER & LIGHT**

Dollars in (000's)

UTILITY	2017	2018	2019	2020	2021	2022	Six-Year Total
ELECTRIC	36,807	69,869	49,103	37,353	29,042	41,283	263,457
WATER	9,843	11,139	11,040	7,824	5,739	5,922	51,506
STEAM	2,901	3,132	5,592	6,039	3,002	3,011	23,678
CHILLED WATER	180	494	158	162	166	166	1,324
COMMON	11,087	3,886	4,848	3,985	4,077	3,953	31,837
TOTAL BUDGET	60,818	88,521	70,741	55,363	42,025	54,335	371,802

LOCATION	2017	2018	2019	2020	2021	2022	Six-Year Total
ECKERT	3,280	187	208	110	113	113	4,011
ERICKSON	1,941	3,543	19,917	13,008	155	-	38,562
REO PLANT	144	35	2,500	3,025	-	-	5,704
T&D	41,643	75,762	40,102	33,857	36,985	49,854	278,202
DYE/CEDAR	3,039	4,805	2,917	1,128	445	165	12,499
CHILLER PLANT	42	340	-	-	-	-	382
OTHER	10,729	3,849	5,098	4,235	4,327	4,203	32,443
TOTAL BUDGET	60,818	88,521	70,741	55,363	42,025	54,335	371,802



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Chair Ross questioned if there were items in the Capital Budget listed for next year that the Committee should be made aware of, given the media attention of the Central Substation. In response, General Manager Peffley

stated there may be some tree trimming concerns and Ms. Shawa-DeCook added the installation of AMI smart meters may be an area of attention as well.

Ms. Shawa-DeCook provided information on the progress of the AMI smart meter implementations.

Already Completed and Next Steps

- **FY 2017 Operating & Capital Budgets**
 - Approved at May 24th Board meeting
 - Filed with the City Clerk within 10 days (June 3rd) after adoption in compliance with City Charter
- **Accept as presented the Capital Forecast for FY 2017-2021 and submit to the Mayor prior to October 1**
 - City Charter calls for submission of the six year capital improvements plan to the Mayor prior to October 1



Motion by Commissioner Price, Seconded by Commissioner Thomas to forward he proposed Resolution for the acceptance of the 2017-2022 Forecast to the full Board for consideration.

Action: Motion Carried.

Proposed Return on Assets Resolution

Chief Financial Officer Heather Shawa-DeCook spoke about the rate of return target suggesting that it is both realistic and achievable. She also stated that it is important to work toward achieving it to maintain infrastructure over a period of time. She said the forecast is such that if the key assumptions materialize, we should be able to achieve the target rate of return. The lengthy dialogue continued regarding the Return on Assets. Ms. Shawa-DeCook stated that she felt it is up to management to be fiscally responsible (from on the O&M side). Also, management should be responsible when laying out the budget, the cost control and making sure we are effective and efficient while maintaining our reliability and competitiveness. We want to make sure our efforts to reach our target rate of return include prudently managing our cost structure and not just focusing on rate increases to hit that return. It is important to have the right target number because there are impacts if the number is too low or too high.

Commissioner Nelson spoke about discussions from 2008 that involved the previous Chief Financial Officer regarding the Wisconsin Method vs. UFS and the coal inventory being an issue with its dwindling use as a fuel. Commissioner Nelson questioned if there was going to be a change in dynamics with the depleting coal inventory. In response to Commissioner Nelson's question Ms. Shawa-DeCook stated that she would get back to him with additional information.

In conclusion Chief Financial Officer Heather Shawa-DeCook stated that this matter would be brought before the Board for a yearly review.

Motion by Commissioner Price, Seconded by Commissioner Thomas to forward the proposed Resolution for the Return on Assets to the full Board for consideration.

Action: Motion Carried.

Finance Chair Ross welcomed and introduced new Board member, Stuart Goodrich. Mr. Goodrich stated that he is looking forward to serving on this Board.

Update on Management Responses to Internal Audits


Finance Chair Ross informed the new Commissioner that this report is a tracking tool designed to give us transparency and to ensure that everything Internal Auditor Phil Perkins identifies in his internal audits is actually followed up on and completed to the satisfaction of the Board of Commissioners and Internal Auditor. Chief Financial Officer Heather Shawa-DeCook's update consisted of the following:

Issue #	Audit Name	Issue Description	Date	Responsible Area	Status
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 on it is in the process of being rolled out, at a slower pace than originally anticipated, with completion now expected by 9/2/16.
37	Hiring Process <i>NEW</i>	Internal Audit has requested that an all-encompassing hiring policy be documented.	May 2016	Human Resources	An additional Board policy, one which addresses BWL hiring standards in their entirety, will be drafted by 12/31/16.
38	Hiring Process <i>NEW</i>	Internal Audit recommended updating a hiring checklist, documenting rationale for selected hires, and storing job files in electronic form.	May 2016	Human Resources	Management will update the hiring checklist, document rationale for selected hires, and store job files electronically by 12/31/16.
39	IT Change Management <i>NEW</i>	Internal Audit recommended IT change management policy and procedures be documented.	May 2016	Information Technology	The IT change management process has been refined and a standard form and workflow developed. A Change Advisory Board is following ITIL guidelines. Further development of written guidelines will be complete by 9/1/16.
41	IT Change Management <i>NEW</i>	Internal Audit recommended specifically addressing emergency IT changes in the IT change management process.	May 2016	Information Technology	IT has defined an emergency change and documented a process flow. IT is also developing a training plan and written guidelines, expected to be complete 9/1/16.
42	Selected CRT-MPSC-BWL Recommendations <i>NEW</i>	The Internal Auditor recommended annual updates to the Emergency Operations Plan.	May 2016	Emergency Management	Annual updates to the Emergency Operations Plan will be performed, effective immediately.
43	Selected CRT-MPSC-BWL Recommendations <i>NEW</i>	The Internal Auditor recommended formally tracking the corrective actions resulting from restoration exercises as such.	May 2016	Emergency Management	Corrective actions will be formally tracked, effective immediately.

Closed Issues (since April 2016 report):

40	IT Change Management <i>NEW</i>	Internal Audit recommended a separate database or listing of IT changes.	May 2016	Information Technology	Additional information identified as being needed is now being captured in the existing IT ticketing system used to track changes.
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STATUS OF MANAGEMENT RESPONSES TO INTERNAL AUDITS AS OF 6/30/16


In Accordance with Board Resolution #2014-07-05

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 4/14/16. Currently in process is a response to the State's second round of questioning.
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. Currently in process is a response to the State's second round of questioning.
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 9/30/16 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 April 13. 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 7/29/16.

As of 6/30: There are 14 Open issues (6 of which are new) and 1 closed issue.

Internal Auditor FY17 Audit Plan

Internal Auditor Phil Perkins presented an overview of the following information:

Internal Auditor Status Update

- FY 2016 Audit Plan Progress Report
- Proposed FY 2017 Audit Plan
- Other Items

FY 2016 Audit Plan Progress Report

Engagements Completed:

1. Training & Development Audit
2. Selected CRT/MPSC/BWL Recommendations Audit
3. Hiring Process Audit
4. IT Change Management Audit
5. NERC-CIP Cybersecurity Compliance Audit
6. Surprise Cash Counts (2)
7. Employee Time Reporting Reviews (2)
8. Vehicle Time Reporting Reviews (2)

Engagement in Progress: Billing Audit (anticipate completion in August 2016)

Proposed FY 2017 Audit Plan - Background

Basis for plan:

1. Meetings with Executives and Staff to discuss risks and potential audit topics.
2. Risk assessments for each of 100-plus auditable activities at BWL.
3. Consideration of rotational audits, audit areas with risk/scoping assessments, first-time audits, etc.
4. Identified over 20 potential audits to perform in FY 2017 and beyond.

Proposed FY2017 Audit Plan - Background

Top 12 audits for FY 2017 (as discussed with senior management):

1. ***Performance Evaluation/Compensation/Merit Increases.***
2. ***Collections***
3. ***Post-Cyber Incident Review***
4. ***IT - Help/Service Desk***
5. ***New Service Order Mgt – Water***
6. ***Payroll***
7. ***Hiring Process Follow-up***
8. ***Training Follow-up***

9. ***Planned Projects***
10. ***IT – ID & Access Mgt- New and Terminated Employees***
11. ***Metering Services***
12. ***IT Security Policy – Data Classification & Controls***

Proposed FY 2017 Audit Plan

Planned Audits:	Estimated Hours
Performance Evaluation/Compensation	300
Collections	400
Post-Cyber Incident Review	300
IT Help/Service Desk Management	400
New Service Order Management - Water	300
Payroll Management	400
Follow-up – Hiring Process	100
Follow-up – Training & Development	100
Other Engagements:	
Surprise Cash Counts (2)	50
Time Reporting Reviews (2)	100
Vehicle Time Reporting	50
Other Consulting as Needed	100
Total Estimated Hours	<u>2,600</u>

Proposed FY 2017 Audit Plan, Cont'd

Available Resources:

Resource	Position	Available Hours
Phil Perkins	Director of Internal Audit	1,500
C. L. Moore & Associates	Augmented IA Services	900
Internal or External IT Audit Assistance	IT Audit Services	200
Total Hours		<u>2,600</u>

Finance Chair Ross mentioned the recent security incident and questioned whom Mr. Perkins would draw upon if he or his External Auditors did not have the expertise in conducting in-depth reviews as it relates to cyber. Mr. Perkins stated that he has had some preliminary discussions with outside firms regarding this specialized resource as well as looking to enhance his own limited expertise by taking some additional training in the cyber security arena.

Motion by Commissioner Price, Seconded by Thomas, to forward the Internal Auditor's FY 17 Audit Plan to the full board for consideration.

Action: Motion Carried.

Infernal Auditor Perkins stated that there were no changes to the Auditors Charter and asked that the Board approve the Internal Auditor's Charter as-is.

Motion by Commissioner Price, Seconded by Thomas, to forward the Internal Auditor's Charter as-is to the full board for consideration and approval.

Action: Motion Carried.

Background Discussion: Franchise Agreements

Finance Chair Ross cited a request from East Lansing for a franchise agreement and a share of revenue the BWL receives from East Lansing customers to introduce a background discussion on franchises and franchise fees. General Manager Peffley noted that a new request for a franchise fee would be directed to the Board, but a renewal of an existing franchise agreement would be negotiated by BWL staff and not brought to the Board.

Mark Matus, Director of Technical Services, provided background information on franchises and franchise fees and distributed a summary of franchise agreements along with franchise fees to the Board for its information. According to Mr. Matus, a franchise is required by the State Constitution and legislation to use the public places and conduct business in a local unit of government. He indicated that the Michigan Constitution limits franchises to 30 years duration. He indicated that a Foote Act franchise is an exception in that it is created by legislation and only applies to areas being served by a utility between 1905 and 1908. He also indicated that a Foote Act franchise could not be reversed by the act of legislation. According to Mr. Matus, water agreements are a little different. Although they are not entitled as franchises, they have the same provisions allowing for the use of public streets, alleys, etc.

In response to questions regarding the Foote Act, George Stojic, Executive Director of Strategic Planning indicated that the BWL could demonstrate service to East Lansing between 1905 and 1908 and was, therefore, entitled to a Foote Act franchise, but documentation from other areas was not available. He also indicated that Foote Act franchises do not expire.

General Manager Peffley indicated that the BWL needed clarification of East Lansing's request, and that it is seeking assistance from outside counsel to investigate the issue of a franchise with East Lansing.

Public Comment

Brad van Guilder, Sierra Club, read comments into the record stating his concerns regarding two items included in the 6 Year capital budget, the projection of installation of Dry Sorbent Injection pollution controls and the implementation of Smartgrid technology.

Other

General Manager Peffley thanked staff for how well they managed this weekend's storm, which was one of the largest summer storms in this area. 90% of customers were restored within 48 hours. He said they really worked hard on press releases and communication in general.

Several Commissioners expressed their appreciation for the communication during the recent storm.

Chair Ross asked for an update on the homeless hotel shelter's high bill issue due to a lack of meter reading. In response General Manager Peffley acknowledged that there was an error with the homeless hotel not getting their meter read in a timely manner; however the BWL has reached out to make arrangements to work with them to resolve the issue and get them on track.

Adjourn

On Motion by Commissioner Price, Seconded by Commissioner Thomas, the meeting adjourned at 7:20 p.m.

Respectfully submitted
Ken Ross, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

General Manager Peffley recommended that the Board adopt the 2018-2022 Capital Forecast as presented at the July 12, 2016 Finance Committee Meeting.

Motion by Commissioner Ross, Seconded by Commissioner Mullen to approve the 2018-2022 Capital Forecast as presented at the July 12, 2016 Finance Committee Meeting.

Action: Motion Carried

UNFINISHED BUSINESS

There was no Unfinished Business.

NEW BUSINESS

Appointment of Executive Committee

Motion by Commissioner Mullen, Seconded by Commissioner McCloud to appoint Commissioner Ken Ross as the fourth member of the 2016-2017 Executive Committee.

Action: Motion Carried

RESOLUTIONS

RESOLUTION 2016-07-01

RICHARD R. PEFFLEY TRIBUTE RESOLUTION

WHEREAS, It is with great appreciation that the members of this Board pay tribute and honor Richard "Dick" Peffley for his 40 years of loyal and outstanding service to the Lansing Board of Water and Light;

WHEREAS, Dick Peffley began his distinguished career at the Lansing Board of Water and Light in June of 1976;

WHEREAS, Dick Peffley has had many achievements over his career with the Lansing Board of Water and Light, having extensive experience in many capacities in the electric and water utilities;

WHEREAS, Dick Peffley led the redevelopment effort to sell the former Ottawa Power Station that later became the Accident Fund headquarters;

WHEREAS, Dick Peffley was the Project Director of the 20 Million Dollar Chilled Water Plant, named after Dick's

father, BWL retiree, Roy E. Peffley;

WHEREAS, Dick Peffley was the Project Manager for the 23 Million Dollar repair and refurbishment of the Wise Road Water Conditioning Plant following a chemical accident;

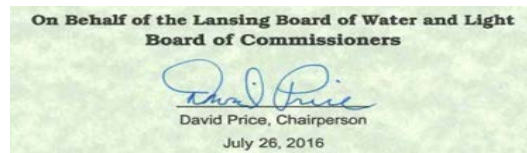
WHEREAS, Dick Peffley led the Water Department's efforts that distributed a record-breaking 1 billion gallons of water in a single month to customers during a heat wave in July 2013, and repaired a record number of frozen water lines and water main breaks during that winter's deep freeze;

WHEREAS, Dick Peffley was the Project Manager for the 182 Million Dollar REO Cogeneration Plant and Headquarters;

WHEREAS, Dick Peffley served as Project Manager for the Redevelopment of the Haco Office facility;

WHEREAS, Dick Peffley served as Interim General Manager in 2006/2007 and 2015, and was named General Manager on September 22, 2015;

NOW THEREFORE BE IT RESOLVED, that the Lansing Board of Water and Light hereby wishes to express its appreciation for Richard "Dick" Peffley's many efforts and contributions. Thank you for enriching the Lansing Board of Water and Light and the community for the last 40 years.



Motion by Commissioner Zerkle, Seconded by Commissioner Thomas to approve the Resolution of Tribute honoring General Manager Peffley for his 40 years of service to the BWL and the community.

Action: Motion Carried

RESOLUTION 2016-07-02

Fiscal Year 2018-2022 Capital Forecast

RESOLVED, that the forecast for capital expenditures for the Fiscal Years 2018-2022 is hereby accepted as presented.

Motion by Commissioner Ross, Seconded by Commissioner Mullen to approve the Resolution approving Fiscal Year 2018-2022 Capital Forecast.

Action: Motion Carried

RESOLUTION 2016-07-03

Appointment of the Charter Position of Corporate Secretary

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Corporate Secretary, with a base salary of \$94,200, for fiscal year 2016-2017 or until a successor is appointed, whichever last occurs:

M. Denise Griffin, Corporate Secretary

Motion by Commissioner Thomas, Seconded by Commissioner Mullen to approve the Resolution approving the Appointment of the Charter Position of Corporate Secretary.

Action: Motion Carried

RESOLUTION 2016-07-04

Appointment of the Charter Position of Internal Auditor

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Internal Auditor, with a base salary of \$135,000, for fiscal year 2016-2017 or until a successor is appointed, whichever last occurs.

Philip Perkins, Internal Auditor

Motion by Commissioner McCloud, Seconded by Commissioner Zerkle to approve the Resolution approving the reappointment of the Charter Position of Internal Auditor.

Action: Motion Carried

RESOLUTION 2016-07-05

Appointment of the Charter Position of Director and General Manager

The Board's Rules of Administrative Procedures specify that the Board is to appoint a Director and General Manager, Internal Auditor, and Corporate Secretary, at its first regular meeting following July 1st of each year or as soon as practicable thereafter.

RESOLVED, That the Board of Commissioners hereby appoints the following individual to the Charter position of Director and General Manager, with a base salary of \$267,750, for fiscal year 2016-2017 or until a successor is appointed, whichever last occurs:

Richard R. Peffley, Director and General Manager

Motion by Commissioner McCloud, Seconded by Commissioner Thomas to approve the Resolution approving the reappointment of the Charter Position of General Manager.

Action: Motion Carried

RESOLUTION 2016-07-06

Internal Auditor Charter Approval

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Charter, appended to which conforms to the International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors.

Motion by Commissioner Ross, Seconded by Commissioner McCloud to approve the Resolution approving the Internal Auditor Charter.

Action: Motion Carried

RESOLUTION 2016-07-07

Internal Audit Plan for FY 2017

RESOLVED, that the Board of Commissioners hereby approves the Internal Audit Plan for FY 2017.

Motion by Commissioner Mullen, Seconded by Commissioner Ross to approve the Resolution approving the Internal Audit Plan for FY 2017.

Action: Motion Carried

RESOLUTION 2016-07-08

Return on Assets

Whereas, the Board of Commissioners adopted the use of a modified Utility Financial Solutions (UFS) approach as a standard to calculate the Overall Rate of Return target for the Lansing Board of Water and Light on August 12, 2008; and

Whereas, the Staff recommends the continuation of the use of the modified UFS approach where the overall rate of return is applied to net fixed assets plus materials and supplies; and

Whereas, the Staff recommends the overall rate of return should be reviewed each year as part of the budgeting process; and

Whereas, the Staff recommends that the modified UFS approach should include the flexibility to adjust the calculated return upward for large construction projects and other unusual circumstances as needed.

BE IT RESOLVED, that the Board of Commissioners adopt the modified UFS approach for determining an appropriate rate of return target for the Lansing Board of Water and Light, the return should be reviewed each year as part of the budgeting process, and should be flexible to allow for upward adjustments to accommodate large construction projects and other unusual circumstances as needed.

Motion by Commissioner Ross, Seconded by Commissioner Mullen to approve the Resolution approving the Return on Assets.

Discussion was held regarding the move away from coal and its impact on the calculated rate of return and whether the coal inventory is an issue.

Action: Motion Carried

MANAGER'S REMARKS

General Manager Peffley recognized his wife, daughter and future son-in-law who were in attendance at this evening's meeting. General Manager Peffley also informed the Board of the following:

- The Lethal Ladies Tapping Team won the Nationals for the third year in a row. The Nationals include teams from the United States, Mexico, and Canada. They have been competing for five years and have placed every year.
- The BWL held its company picnic at the Lansing Lugnuts stadium. This year saw over 800 employees, retirees, and family members - a record breaking turnout.
- A movie producing company will be filming Transformers 5 at Eckert Station. Payment received for use of the facility will be donated to Pennies for Power.

COMMISSIONERS' REMARKS

Commissioner Zerkle stated that as the longest standing Commissioner she recognizes that General Manager Dick Peffley's heart and soul are with his employees and that he takes care of them and the company the best he can.

Commissioner Thomas congratulated General Manager Dick Peffley for his 40 years at the BWL. He also congratulated General Manager Peffley on his well-articulated State of the BWL Address and the staff for organizing the very nice lunch. He also thanked Human Resources Committee Chair Mullen and Nominating Committee Chair McCloud for their work with their respective committees. He congratulated the returning Chairperson David Price and Vice Chairperson Mark Alley on their Officer positions. He also congratulated General Manager Dick Peffley, Corporate Secretary Denise Griffin and Internal Auditor Phil Perkins on their reappointments.

Commissioner Long recommended letting the Sierra Club know about the movie company using Eckert for filming.

MOTION OF EXCUSED ABSENCE

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

Action: Motion Carried

PUBLIC COMMENTS

Dave Errickson, Lansing, Michigan, spoke to the Board regarding the Scott Park Substation and the Central Michigan Group's opposition thereto.

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: August 3, 2016

Official Minutes filed (electronically) with Lansing City Clerk: September 28, 2016