



MINUTES OF THE BOARD OF COMMISSIONERS' MEETING

LANSING BOARD OF WATER AND LIGHT

March 31, 2015

The Board of Commissioners met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, March 31, 2015.

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

Present: Commissioners Margaret Bossenbery, Dennis M. Louney, Anthony McCloud, Tony Mullen, David Price, Cynthia Ward and Sandra Zerkle.

Absent: Commissioner Tracy Thomas

The Corporate Secretary declared a quorum present.

Commissioner Tony Mullen led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Mullen, seconded by Commissioner Bossenbery to approve the Regular Board Meeting minutes of January 27, 2015.

Action: Motion Carried

Chair Price Pulled item 10c from the Agenda and referred it back to the Committee of the Whole.

PUBLIC COMMENTS

MEMBERS OF THE PUBLIC ARE WELCOME TO SPEAK TO THE BOARD ON ANY AGENDA SUBJECT. ANYONE WISHING TO COMMENT ON ANY MATTER NOT ON THE AGENDA MAY DO SO IMMEDIATELY PRIOR TO ADJOURNMENT.

Brad Van-Gilder of the Sierra Club, provided additional copies of forms letters generated by the Sierra Club Campaign

COMMUNICATIONS

105 Form Letters generated by the Sierra Club Campaign
Received and Placed on File

**COMMITTEE REPORTS
COMMITTEE OF THE WHOLE
February 17, 2015**

The Committee of the Whole 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 5:30 p.m. on Tuesday, February 17, 2015.

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

Present: Commissioners Dennis M. Louney, Margaret Bossenbery, Anthony McCloud, Tony Mullen, Tracy Thomas, David Price, Tracy Thomas, Cynthia Ward and Sandra Zerkle.

Absent: None

Public Comments

None

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner Mullen to approve the Committee of the Whole meeting minutes of November 11, 2014.

Action: Motion Carried

Regional Customer Input

Bob Nelson of E. Lansing spoke about a company that is trying to provide fiber optic service to the residents of Lansing and E. Lansing and his concern with the amount of time it is taking to get this service to the residents. He also expressed his disagreement with the permission requirements that has to be granted to competing third party attachments.

Mike Froh of Meridian Township elaborated on the fiber optic service and spoke in support of the new technology and the importance of expediting this service to the community. He also stated this technology would benefit the Board of Water & Light in reverence to the use of their utility poles and for participating in this particular service.

There was some dialogue regarding the fiber optic service and the company that is providing the service. Interim General Manager Peffley said this matter will be looked into. Commissioner Louney sated that this technology was a game changer and encourage that it be explored at as soon as possible.

Smart Meter Update

Interim General Manager Peffley introduced Dave Bolan, Executive Director of Operations for the Board of Water and Light, who provided an update on Smart Metering. Mr. Bolan stated that with Smart Meters you can sectionalize the outage area and restore customers through remote sources or decreased voltage on the system. This is a very expensive technology, \$25 million to \$30 million to add to our system. He stated that the Board of Water & Light has decided to do a pilot program of the technology utilizing 140 smart meters. Meters were installed last December in a small area in E. Lansing and are in the process of finishing our

systems acceptance test. Mr. Bolan said that we want to evaluate and make sure that we fully understand the capabilities of this technology and from that look at other pilots to test the distribution automation technology and then from there move on to how we implement within our financial means. Realistically it could take up to 7 years to roll out this plan.

There was dialogue regarding what other companies in Michigan are doing in regards to Smart Metering. In response to questions, regarding this matter Mr. Bolan stated that in Michigan both Consumers Energy and DTE has Smart Meter Program. Commissioners Louney and Bossenbery indicated that the implementation of Smart Metering was a recommendation from the CRT Report and strongly suggest and support that we proceed with the technology.

Haco Update

Interim General Manager Peffley informed the Commissioners that the Haco project is currently on schedule for completion at the end of March, and will close out at the approved budget amount. He stated that the main reason he brought this matter to the Commissioners was to offer a sneak preview or a walk-through of the facility. He said that a very nice area has been designed for people to come in and pay their bills. Board of Water & Light employees will start to move to the renovated facility sometime in April.

CRT Update

George Stojic, Executive Director of Planning and Development provided an update on the CRT Report. He stated three items have been completed since the last update. Those include National Incident Management system communications training for BWL managers and senior staff and a couple of recommendations that deal with coordination and consolidation of emergency plans and procedures with city and regional plans and procedures. There were a total of 187 CRT/PSC/BWL recommendations and 155 of those have now been completed or become an ongoing part of the BWL's practices and procedures. Ten recommendations were originally allocated to the Board and the City, leaving 22 for the staff to complete and these are expected to be completed by the end of this fiscal year. Since the last report we have completed the last of the BWL's 54 recommendations by adding a text messaging option to the 877 number as an alternative way for customers to communicate outages. Mr. Stojic stated that the BWL has begun to work with customers that have critical facilities and might be eligible for onsite generation to help create a more robust distribution system and that BWL staff is continuing to work with the Red Cross on train the trainer. BWL is also working with Do 1 Thing to extend programing to local business. On April 15th, Do 1 Thing will be conducting emergency preparedness training to downtown Lansing businesses. Mr. Stojic also commented on Trent Adkins role as Emergency Director, noting that he has taken the lead on helping to build local and regional resiliency. Friday, Mr. Atkins will be hosting a meeting of regional emergency managers, including a session on cyber security.

Commissioner Louney engaged in dialogue with Mr. Peffley and Mr. Stojic regarding the CRT's suggestions such as, the reporting of OMS implementations and maintenance, the funding of the City of Lansing for tree trimming where the City has already engaged in vegetation management. He also questioned the Boards responsibility on completing some of the CRT's recommendations.

Environmental Regulatory Update

George Stojic, Executive Director of Planning and Development noted that during the November Committee of the Whole meeting that he planned to undertake both strategic plan and integrated resource plan updates this year. He stated that regulatory requirements, especially environmental, have a major influence on utility planning and the need to update the BWL's plans. He said that he wanted to begin providing the Board with some of the concepts, and issues that are involved, particularly on the environmental side. Mr. Stojic explained four major environmental regulations and mentioned the BWL's compliance strategy for each.

- The Cross State Air Pollution Rule (CSPAR)

This rule issued in 2005 was a result of areas in the eastern part of the United States not meeting air quality standards for ozone and fine particulates and a major contributor to that were emissions from power plants in upwind states like Michigan. The initial rule was overturned in 2008 but it was reissued in 2014 and it is now a law. The Cross State Air Pollution Rule reduces sulfur dioxide and oxides of nitrogen from electric generating power plants. The compliance period started January 1st and further reductions are required in 2017. CSAPR is a Cap and Trade program. One allowance is required for every ton of SOX and NOX emitted from an electric power plant. Each state has a limited, or capped, number of allowances that it allocates to electric generating units. An electric generator has the option of using the allowance, selling or "banking" unneeded allowances, or purchasing allowances, if needed for generation. The BWL has sufficient allowances to cover expected generation through 2020.

- Mercury and Air Toxics Rule (MATS)

This rule was also issued by the EPA in 2005 as the Clean Air Mercury rule. In 2006 Michigan proposed its own mercury regulations. In 2008, the federal rule was vacated by the courts. In 2009, Michigan formally adopted its proposed rule. In 2012, the EPA reissued its rule as MATS, and Michigan suspended its rule. MATS has been challenged, and it is currently before the Supreme Court. The rule is intended to regulate mercury, fine particulates (PM), and hydrochloric acid gas. The BWL's compliance date is April 2016, unless delayed or vacated by the Supreme Court. Compliance costs for units 1 and 3 are considerable, and these units were planned to be replaced by REO Town, so units 1 and 3 will need to be retired if the rule is affirmed by the Court. The remaining BWL units can comply without major investment.

- Coal Combustion Rule or The Coal Ash Rule (CCR)

This Rule became effective in 2008 when a dike at a coal fired power plant in Tennessee failed and released approximately one billion gallons of coal ash slurry onto joining property and into the Clinch at Emory Rivers. Those are major tributaries to the Tennessee River from which couple million people get their drinking water, causing the EPA to consider regulating coal ash installations. In 2010, the EPA decided to issue a draft regulation and finally adopted a final rule in December of last year. In its final rule, the EPA chose to regulate coal as a non-hazardous substance, instead of a hazardous substance. The rule adopts standards for the structural integrity and inspection of coal ash facilities, adopts operating and notification criteria, requires monitoring wells, and regulates locations of new coal ash installations. The BWL has three potential sites affected by this rule. The north Lansing landfill, Comfort Street, and the Erickson Ash pond. The BWL has previously removed approximately 850,000 cubic yards of ash from Comfort Street and 700,000 cubic yards from Erickson. Because of these projects, the BWL does not anticipate additional requirements beyond those currently effective for each site.

- Clean Power Plant Rule (CCP).

This rule regulates carbon dioxide emissions from existing electric generating plants. The goal is to reduce CO2 emissions 30 percent by 2030 from existing generating facilities. There is no economical way to remove and sequester CO2 from existing plants. As a result, the EPA requires a statewide compliance plan. The CO2 reductions are to take place in two phases, the first in 2020 and the second in 2030. The EPA specified four building blocks by which could be used for compliance: unit performance improvements, unit redispach, renewable energy, and energy efficiency. The EPA has received over 2 million comments on the rule, and the final rule is due mid-summer 2015.

Strategic Plan Framework

George Stojic, Executive Director of Strategic Planning and Development stated that he planned to undertake two planning initiatives in 2015. The first one being a strategic plan followed by an integrated resource plan later on. Mr. Stojic explained the difference in the plans noting that the integrated resource plan is much more narrowly focused than the strategic plan. He explained that he would plans to undertake the strategic plan in phases. The first phase involves a draft update prepared by BWL employees. The second phase involves the public, allowing our customers to provide comments and recommendations. Changes to the draft plan may be made based upon the public input. Then the draft, along with the public comments and recommendations will be provided to the Board for its consideration. A final plan will be prepared based upon the Board's review of the draft and public input and the Board will be requested to adopt the plan by resolution.

Other

Board Chair Price spoke about an email received from Rory Neuner who is representing Michigan Air-Michigan Health, a statewide coalition of health groups working to educate health professionals about the negative effects of burning coal. In the e-mail, she is requesting to address the Board of Commissioners individually regarding this matter. Chair Price suggested that she attend the next Committee of the Whole meeting and allow her to address the entire Board as an agenda item. The Board of Commissioners agreed.

Commissioner Louney conveyed the following information:

- Request that the HR Committee address the issue of long term contracts and prohibiting excessive severance payments for the General Manager and top Management.
- Request that the HR Committee explore setting at a time line regarding a search committee, a search process or a job posting for the GM position so the public is aware.
- Internal Auditor Perkins will be presenting his finding from his independent audit at the March Finance Committee meeting
- Talked with the new CFO regarding a possible separate Finance Committee meeting to be held in either March or April with the agenda subject to include detailed information about the functions of each department and it cost.

Public Comment

None

Closed Session discussion(Attorney-Client Memo)[MCL 15.268(h);MCL 15.243 (g)]

Committee of the Whole Chair Bossenbery stated that our attorneys have provided us with an Attorney Client Privilege memorandum and they are present and available to discuss the contents of that memorandum with us.

Motion by Commissioner Price, Seconded by Commissioner Mullen to go into closed session for the purpose of reviewing the contents of the attorney-client privileged memorandum as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(g).

Roll Call Vote:

Yeas: Commissioners Bossenbery, Louney, McCloud, Mullen, Price, Thomas, Ward and Zerkle

Nays: None

The Committee of the Whole went into closed session at 7:00 p.m.

The Committee came out of closed session to discuss the recording of closed session minutes at 7:10 p.m.

Motion by Commissioner Ward, Seconded by Commissioner Mullen to go back into closed session for the purpose of reviewing the contents of the attorney-client privileged memorandum as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(g).

Roll Call Vote:

Yeas: Commissioners Bossenbery, Louney, McCloud, Mullen, Price, Thomas, Ward and Zerkle

Nays: None

The Committee of the Whole went into closed session at 7:11 p.m.

Closed Session concluded at 8:07 p.m.

Excused Absence

None

Adjourn

On Motion by Commissioner Ward, Seconded by Commissioner Mullen, the meeting adjourned at 8:08 p.m.

Respectfully Submitted
Margaret Bossenbery, Chair
Committee of the Whole

**COMMITTEE OF THE WHOLE
March 10, 2015**

The Committee of the Whole 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 5:30 p.m. on Tuesday, March 10, 2015.

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

Present: Commissioners Dennis M. Louney, Margaret Bossenbery, Anthony McCloud, Tony Mullen, Tracy Thomas, David Price, Tracy Thomas, Cynthia Ward and Sandra Zerkle.

Absent: None

Public Comments

None

Approval of Minutes

Motion by Commissioner Price, Seconded by Commissioner McCloud to approve the Committee of the Whole meeting minutes of February 17, 2015.

Action: Motion Carried

Regional Customer Input

Bob Nelson of E. Lansing spoke about Public Act 95 of 2013, a low-income Energy Assistance Fund (LIEAF) Section 9(t), which provides that money from LIEAF be expended by the State of Michigan's Human Services Department. Mr. Nelson explained that on July 1st of every year each utility in the state has to make an election as to whether or not they will surcharge their customers based on a factor that is set by the Public Service Commission and apply amount throughout the next year. The other option is to agree not to shut off customers throughout the winter months, the Board initially chose the second option. At this point, the BWL can elect another option by this July and if that happens, various agencies could apply for money that is raised by that fund and then that money would be distributed to various agencies. He stated that the BWL has concerns about keeping that money within the Board of Water & Light territory and believes that a good effort can be made to accomplish that. Mr. Nelson introduced Mr. Ivan Love, Director of Capital Area Community Services who addressed that issue.

Mr. Love stated that he wanted to start conversations and make an offer to help the Board regarding PA95. He stated if the Board of Water & Light decided to opt into PA95 where a surcharge could be added to the customer's bill, he would be willing to put forth a request to the State of Michigan to administer the fees that are collected.

After a lengthy discussion regarding this matter, Chair Price suggested that staff prepare something for the Committee to review at the next or a future Committee of the Whole meeting. Maybe a review of the different options, the cost of those options and then the Committee can have an informed discussion and move forward.

MI Air, MI Health Coalition Presentation

Rory Nuener a Representative for the Michigan Air, Michigan Health Coalition presented the Committee of the Whole with a presentation about the impacts of health and energy policies. The MI Air MI Health Coalition has existed since 2012 and works to ensure the message of their mission, which is to ensure healthy air for Michigan communities by assessing the health effects of air quality and advocating for the enforcement of policy to address air quality issues. Ms. Nuener stated that the organization connects with professional people to have conversations about how air pollution is affecting health and how energy policy

connects to that. Ms. Neuner stated that the BWL is going through a hiring process for a new General Manager and suggested that now is the time to start thinking about how health, air pollution, BWL's policies and the way business is done every day and the impact on the health of the residents of the greater Lansing region. She encouraged the Commissioners to hire a General Manager who has credentials as well as leader who can be responsible for the protection of the health of the people across Greater Lansing.

David Erickson, Lansing Resident, (Registered Nurse) provided information on health impacts of our current energy. He stated the BWL has two coal-fired power plants that affect our health. Particle matter and smog have a particularly serious impact on children and we need to reduce the external factors that cause asthma exacerbations. Mr. Erickson elaborated on public health illnesses due to poor air quality, such as cancer, cardiovascular disease and asthma. He stated that outdoor air pollution, has also been recognized by the CDC and other leading organizations as a trigger for asthma attacks and believes that coal burning plants in Mid-Michigan contributes to asthma exasperations.

Jocelyn Hayward, Lansing Resident (Nurse & hold a Masters' Degree in Public Health), provided statistical information on asthma in the State of Michigan. Ms. Hayward also provided information on asthma health disparities and social determinants of health. She stated that Michigan's asthma rate is higher than the national rate for hospitalizations and coal-fired plants are a large reason for asthma attacks and premature deaths.

Ms. Neuner concluded by stating that health in all policies is a growing movement about approach to decision making development. It is acknowledging that the decision you make as a Board have impact on the health of the people of greater Lansing; also, it is the BWL creating some kind of interdepartmental team that is going to take a broad look at health and how the organization makes decisions about health. She again stated the importance of including health related questions to the interview portion of the GM hiring process, as well as the importance of exploring ways to incorporate health decision making in all policies.

Frozen Water Pipe Update

Interim General Manager Peffley provided an update on frozen water pipes. Mr. Peffley informed the Board that the company is experiencing another year of an enormous amount of frozen water services. In a typical year, the BWL may deal with 30 frozen house water pipes and this year we are at 500 and counting. Because of this issue, staff is working 7 days a week because our policy is, we will not go home until you have water. We are also experiencing a high number of main breaks associated with this winter.

Lead Service Replacement

Interim General Manager Peffley stated that about 10 years ago the BWL undertook an aggressive schedule to change all of the lead service replacements out in the city of Lansing. Previously Mr. Peffley stated that by year-end 2017 all lead pipe replacements would be complete. However, there are 20 homes on Moore's River Drive that are due to have the replacement service; and the city has asked the BWL to push the completion date from 2017 to 2018 because they are going to rebuild the road at that time and it would save them thousands of dollars in asphalt costs if we wait 1 year.

Discussion re: Seating Options for New Advisory Commissioners

Board Chair Price stated that when the amendment passed to amend the city charter to add 3 new Advisory Board members to the Board, the Corporate Secretary questioned what to do

regarding the seating arrangement with the new incoming Commissioners. Board Chair Price stated that although the new Commissioners are non-voting is it very important to accommodate them and to be inclusive and make them feel welcomed. With that, being said Corporate Secretary Griffin worked with engineering and Mr. Peffley to get some ideas and cost info to accommodate the three new Commissioners seating situation and that information is being presented this evening in the form of scenarios.

Interim General Manager Peffley reviewed the scenarios.

There was a lengthy discussion amongst Commissioners regarding the presented scenarios. At the conclusion of the dialogue, the following motion was offered.

Motion by Commissioner Zerkle, Seconded by Commissioner Price to bring seating arrangement scenario #3 to the full Board for consideration.

Discussion: Commissioner Thomas stated that if the seating situation task is not completed by July 1st the Board will not be in violation of any kind and therefore this is not a crisis.

Action: Motion Carried (7/1 Ward dissenting)

Seating Arrangement Scenarios for new Advisory Board Members

Scenario #1

Move Phil Perkins to the back of the dais area and locate the three new Advisory Commissioners at the dais. The cost of a table 48" wide by 25.25" deep for Mr. Perkins is approximately \$4,500 if we match the wood grain and color already in place. This would also require the purchase of three new high back chairs at a cost of approximately \$4,500. In addition, a matching table for the COW meetings is required, estimated cost \$5,500. Total cost is approximately \$14,500. Scenario #1 is not recommended because the spacing between the chair arms at the desk is very tight, approximately 5.5" vs. the nearly 11" which exists today.

Scenario#2

Locating a new table down in front of the dais, which you and I both talked about and decided that this may not make the new Commissioners feel included. In addition, there is the line of sight issue for the Advisory Commissioners during presentations. Estimated cost for that table would be at least \$5,500 and would require the purchase of three new high back chairs at a cost of approximately \$4,500. In addition, a matching table for the COW meetings is required, estimate cost \$5,000.00. Total cost approximately \$15,000.

Scenario#3

Add an extended dais area that would match the existing Commissioner sitting area. The cost from the Christman Constructors, Inc. for building the dais is extension is \$15,900. In addition, three raised chairs for the Advisory Commissioners for the new dais are estimated at \$4,500. To that, we will need to add a matching table for the COW meetings estimated at \$5,500 plus three additional high back matching chairs, estimated at \$4,500.00. Total cost Scenario#3 \$30,400.

Closed Session discussion(Attorney-Client Memo)[MCL 15.268(h);MCL 15.243 (g)]

Committee of the Whole Chair Bossenbery stated that our attorneys have provided us with an Attorney Client Privilege memorandum and they are present and available to discuss the contents of that memorandum with us.

Motion by Commissioner Price, Seconded by Commissioner McCloud to go into close session For the purpose of reviewing the contents of the attorney-client privileged memorandum as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(g).

Roll Call Vote:

Yeas: Commissioners Bossenbery, Louney, McCloud, Mullen, Price, Thomas, Ward and Zerkle

Nays: None

The Committee of the Whole went into closed session at 6:49 p.m.

The Committee came out of closed session to discuss the recording of closed session minutes at 7:03 p.m.

Motion by Commissioner Price, Seconded by Commissioner McCloud to go *back* into close session for the purpose of reviewing the contents of the attorney-client privileged memorandum as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(g).

Roll Call Vote:

Yeas: Commissioners Bossenbery, Louney, McCloud, Mullen, Price, Thomas, Ward and Zerkle

Nays: None

The Committee of the Whole went back into closed session at 7:04 p.m.

Upon Closed Session at 7:13 p.m., the following motion was offered:

Motion by Commissioner Price, Seconded by Commissioner McCloud to authorize the Interim General Manager to resolve the insurance claim with FM Global as recommended by and discussed with legal counsel.

Action: Motion Carried

Motion Commissioner Zerkle, Seconded by Commissioner Price to authorize the engagement of Denenberg Tuffley to represent the BWL against JCI Jones Chemicals Inc. contingent on the approval of Lansing City Counsel.

Action: Motion Carried

Other

Commissioner Louney stated that he reviewed the CRT recommendations and notices some things that were not been updated. He suggested that the Board might want to consider having a year after the storm meeting to review all of the recommendations and get a summary of where we are and what has been completed. He stated that he believes that it is the Board's due diligence to come back to the public and tell them that we as a Board have

tasked ourselves with making sure the CRT's and PSC's recommendations are complete and we have reviewed them.

Commissioner Price stated that there is some value in a one year report, specifically to report out what we have done to prepare for the next time and to remind the public that we took this seriously and that the staff continues to take this seriously and we will continue to monitor these things.

Committee of the Whole Chair Bossenbery suggested that Interim General Manager Peffley provide an updated report in the next month and then the Board could have discussion at the May Committee of the Whole meeting.

Public Comment

None

Excused Absence

None

Adjourn

On Motion by Commissioner Ward, Seconded by Commissioner Mullen, the meeting adjourned at 7:14 p.m.

Respectfully Submitted
Margaret Bossenbery, Chair
Committee of the Whole

**FINANCE COMMITTEE
March 10, 2015**

The Finance Committee of the Board of Water and Light met at the BWL Headquarters – REO Town Depot located as 1201 S. Washington Ave., Lansing, MI, at 7:14 on Tuesday, March 10, 2015

Finance Committee Chairperson Dennis M. Louney called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Dennis Louney, Margaret Bossenbery, Tony Mullen and Sandra Zerkle; Also present, Commissioner Price
Absent: None

The Corporate Secretary declared a quorum.

Public Comments

There was no Public Comment

Approval of Minutes

Motion by Commissioner Zerkle, Seconded by Commissioner Bossenbery to approve the Finance Committee meeting minutes of November 11, 2014.

Action: Carried Unanimously

Internal Audit Status update

Internal Auditor Phil Perkins presented:

- FY 2015 Audit Plan Progress Report
- Independent Audit Results
- Requested Changes

FY 2015 Audit Plan Progress Report

Engagements Completed or in Progress:

1. Surprise Cash Count #1 – completed
2. Time Reporting Review #1 - completed
3. Material Inventory Audit

Engagements Planned:

1. Health & Drug Benefit Programs Audit (95% complete)
2. Engineering- Annual Projects Audit (75% complete)
3. Board of Commissioners Independent Audit of Previous Administration (complete, audit report in progress)
4. IT-PCI Compliance Audit (25% complete)
5. Time Reporting Review #2 (50% complete)

Engagements Remaining:

1. IT– Management of Non-Desktop Field Devices (Spring 2015)
2. Audit of Outage Management System (OMS) – pending Finance Committee approval
3. Follow-up of Post-Outage Recommendations – recommended deferral of all but OMS-related until FY 2016
4. Surprise Cash Count #2

Independent Audit Results

Internal Auditor Perkins reported the results of the requested Audit. The Areas reviewed included:

- Major purchases and expenditures approved by the previous administration, including sole source and emergency contracts
- Handling of CEO Hotline complaints and incidents
- Review and approval of previous General Manager’s Procurement Card (P-Card) expense, and appropriate support for business expenses

Mr. Perkins stated that there is a P-Card manual which is basically the Board of Water & Light’s P-Card policy, and is the tool used for appropriate guidance. Mr. Perkins stated, there are two reportable issues that he would like to inform the Board about. The first issue is,

after looking at some of the bigger projects. There is need for more clarity regarding what management needs to do to comply with Board policy regarding the need to report anticipated budget variances that exceed predefined thresholds that are laid out in that Board policy. Mr. Perkins cited a recent project. Mr. Perkins said the Haco renovation is as an example where there was a placeholder budget estimate that was in place and used to originally approve the project in fiscal year 2014. The costs incurred in 2014 were considerably less than the budgeted amount and that is because the project was just getting under way. The updated budget that was submitted for fiscal year 2015 a lot more was known about how much the project would actually cost, and it was higher than the original FY14 budget amount by a percentage and as a result exceeded the threshold that is outlined in the Board policy. The board as part of the overall capital budget approved the larger amount. Mr. Perkins said the question here is whether management should have made a specific comment in its capital budget presentation to inform the board or the finance committee at least that the new budget amount requested exceeded the placeholder amount an amount that exceeds the Board Policy threshold. As the Internal Auditor Mr. Perkins recommended it be made clear as to when a reportable event has occurred and that is should be reported to the Board via the finance committee and the projected increase must be approved by the board.

The second issue is with the former General Manager's purchasing card or P-Card expenses. They were not reviewed or approved as they should have been based again on the Board P-Card policy or adequately supported that they were for a business purpose. Example of that is with the meal expenses, along with any other expense, the P-Card manual specifically states that a receipt is to be provided and it is to be itemized in nature. A good deal of the time the itemized receipt was not turned in and that does not conform with the Policy. The other piece of that regarding these P-Card meal expenses is that the specific party and organization that former General Manager dined with was not indicated. So, based on the fact that we are looking roughly at an average of \$100 a month in P-Card expenses, the Internal Auditor certainly saw no evidence that would point him toward any type of abuse, but by the same token, the Policy should have been complied with obviously. As the Internal Auditor Mr. Perkins recommended that the General Manager's P-Card expenses be reviewed and approved by either a Board member such as the finance chair or another designated and approved official and that again the itemized receipts are provided. This is a thing that needs to be reemphasized at least for this particular finding and to specifically indicate for meals and the other participants and the organizations that they belong to, so that it is clear that there is a business purpose to it.

Requested Changes

Internal Auditor Perkins stated that his last item that he would like to address the Board about his requested changes. Mr. Perkins stated that he would like to add an audit of OMS to the fiscal 2015 audit plan and defer the follow up on the post outage recommendation's audit (except the OMS) until fiscal 2016. The final request change is to authorize the hiring of an experienced IT auditor for the Internal Audit Department.

After dialogue regarding the hiring process for an experience IT employee, Finance Chair Louney suggested that himself, CFO Heather Shawa-DeCook and Internal Auditor Perkins meet to discuss a course of action as well as cost and bring the findings back to the Finance Committee.

Motion by Commissioner Zerkle, Seconded by Commissioner Mullen to accept the presented Independent Audit.

Action: Motion Carried

Financial Overview for the Year to Date End January 2015

CFO Heather Shawa-DeCook provided the Committee with a brief overview of the BWL's January financials as of the month end. (Year to Date) Ms. Shawa-DeCook stated that revenue year to date as of January month end was at 7% under budget and expects revenue to continue at that rate through the remainder of fiscal year end. As far as Net income update, Ms. Shawa-DeCook said that we are even with revenues and are above net income projections and there are two key contributing factors of that. One factor is that last December, the finance team put together an O&M budget reduction of 3.5% overall in which they worked with the management team and as of the 2nd quarter review it is looking like we will be able to maintain that at year end. The other contributing factor on the net income is decreased fuel cost, which is a key one. We will have 3rd quarter budget reviews by late April at which time an updated year-end projection will be provided to the Committee. Ms. Shawa-DeCook stated that the company is currently under budget in head count, which we would expect to be with our revenues down, however please note that we are projecting at year end to be at or slightly over budget. Finance is currently planning for fiscal year 2016 and the 6-year overall O&M and Capital Budget. This concludes the financial overview.

Signature of Authority Resolution

Chief Financial Officer (CFO) Heather Shawa-DeCook presented the Committee with a proposed Resolution for check signing signature authority, which is due to organizational and title changes. The proposed Resolution would specifically grant authority to sign checks, replacing Chief Administrative Officer with Chief Financial Officer.

Motion by Commissioner Zerkle, Seconded by Commissioner Bossenbery to forward the proposed Resolution to the full Board for consideration.

Action: Motion Carried

Authority to Invest Operating and Pension Funds Resolution

CFO Heather Shawa-DeCook presented the Committee with a proposed Resolution, which is specific to the title Chief Administrative Officer and updating it to reflect Chief Financial Officer.

Motion by Commissioner Zerkle, Seconded by Commissioner Mullen to accepted amended resolution.

Action: Motion Carried

Motion by Commissioner Zerkle, Seconded by Commissioner Mullen to accept the proposed Resolution and forward it to the full Board for consideration.

Action: Motion Carried

Other

Finance Chair Louney stated that all Commissioners should have received a copy of the Board's proposed budget. There needs to be discussion regarding the budget (I pads/additional work load/conference/all other cost) to accommodate for the new Advisory Board members coming in July. After reviewing the numbers, it breaks down to roughly \$5000 per Commissioner, which may be an additional \$15,000 to \$16,000 that may have to be added to the Commissioner's budget. Finance Chair Louney said that there is time for formal discussion regarding this matter but felt it was important to get those numbers out there for everyone to see that. He stated that although the Commissioner's do not receive a stipend, there is a cost for governing.

Board Chair Price stated that in interest of transparency, he is sure that the general public has no idea of what it costs for the Commissioners to be here and believes it is very healthy to have an open discussion about that.

Finance Chair Louney thanked CFO Heather Shawa-DeCook and Director of Finance Gennie Eva and all of the Finance staff for all of their efforts.

Commissioner Bossenbery thanked Board of Water & Light's Engineer Dan Flynn for all of his help on getting the information together regarding the proposed dais renovations.

Adjourn

On **Motion** by Commissioner Zerkle, seconded by Commissioner Bossenbery, the meeting adjourned at 8:10 p.m.

Respectfully submitted
Dennis M. Louney
Chair Finance Committee

HUMAN RESOURCE COMMITTEE March 17, 2015

The Human Resource 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 5:30 p.m. on Tuesday, March 17, 2015.

The Human Resource Committee Chairperson Cynthia Ward called the meeting to order and asked the Secretary to call the roll. The following members were present: Commissioners Cynthia Ward, Anthony McCloud, Tony Mullen and David Price. Also present: Commissioners Margaret Bossenbery, Tracy Thomas and Sandra Zerkle.

Absent: None

Public Comments

There were no public comments

Approval of Minutes

Motion by Commissioner McCloud, seconded by Commissioner Price to approve the Human Resource Committee meeting minutes of January 20, 2015.

Action: Motion Carried

General Manager Search/Timeline

Human Resources (HR) Chair Cynthia Ward opened the floor for discussion regarding establishing a time line to begin the process for hiring a General Manager.

After a lengthy discussion regarding when the search process should begin and what the process should entail the following motion was offered:

Motion by Commissioner Price, Seconded by Commissioner Mullen that by January 1 of 2016, the Board of Water and Light Commissioners will have a process in place to begin the search for the next General Manager.

Action: Motion Carried

Annual Appointment/long-term contract/severance Payments

HR Chair Ward opened the floor up for discussion regarding the Board Appointee process as well as the allowance of a binding long-term contract. Ms. Ward stated that there may be a legal opinion that states, a current or a sitting board cannot bind a future board and that may suggest that the Board cannot set contracts beyond one year. Ms. Ward also stated implicit or explicit in the appointments process is an annual appointment, and in her opinion that implies a one-year contract.

There was discussion about the possibility of this subject being a moot point if a Charter Amendment is passed, but deserves some dialogue.

Commissioner Thomas stated for the record that before he was the HR chair, the general manager had a multiyear contract; therefore, the multiyear contract was inherited when he became Chair of HR.

HR Chair Ward stated that there might be some legal questions that need to be asked. One legal question would be about the concept of binding the board. Chair Ward questioned if the current Board can pass a resolution today that binds next year's or a future board. After a lengthy discussion regarding the matter, the following motion was offered:

Motion by Commissioner Mullen, Seconded by Commissioner Price, that the Chair of the HR Committee meet with legal representation to discuss what the Board of Commissioner's legal responsibilities and opportunities are in reference to multiyear contracts.

Action: Motion Carried

There was no discussion regarding Severance payments.

Revisions to Performance Evaluation Forms for the General Manager and Internal Auditor

HR Chair Ward stated that sample of the revisions to the General Manager (GM) and Internal Auditor's (IA) evaluation forms have been provided to Commissioners. She said before the Commissioners today is a Google Form, which will allow you to complete the evaluation form and submit it electronically at which time a percentage summary is automatically calculated.

This format would also remove the possibility of any inaccurate transfer of information. Chair Ward stated that her hope is that the Commissioners would try this process.

- General Managers Performance-Evaluation Form

HR Chair Ward stated that she did use the APPA format but implemented some changes to the evaluation form, for example the inclusion of the Commissioner's names on the form and a question pertaining to diversity.

The Commissioners reviewed some of the evaluation questions and the wording of those questions. In addition, there was dialogue regarding the Google format and how the inputted information would automatically calculate a percentage to the questions asked.

HR Chair Ward said that she would finalize the General Manager Performance-Evaluation form after incorporating recommended changes and then recirculate the form again.

- Internal Auditor Performance-Evaluation Form

HR Chair Ward asked Internal Auditor Perkins to express his opinion on the Evaluation form that was presented in the packet. Mr. Perkins spoke particularly about the area regarding audit project skills and technical knowledge. He stated that the rating form in his opinion is too specific as it is measuring performance at the individual audit level. Based on their limited interaction with the Internal Auditor, it is Mr. Perkins' opinion that the Board members are not set up to assess his performance at such a detailed level.

After some dialogue regarding the Internal Auditor Performance-Evaluation form, HR Chair Ward took Commissioner Zerkle up on her offer to work with Mr. Perkins to review and modify the form and set criteria to match up with the task the Board has charged him to complete with the ability of judging the aspects of the completion of those tasks.

- Corporate Secretary Performance Evaluation Form

HR Chair Ward circulated the Corporate Secretary's evaluation form around and asked that feedback be forwarded to her and she would work with Ms. Griffin to finalize the form.

HR Chair Ward stated that all Evaluation Forms should be completed by April 15, 2015. There was dialogue regarding the security of putting the evaluation form on the web and the establishment of a HR BWL email account for this purpose.

Commissioner Mullen stated having this on Google Docs would speed things up dramatically. He said that he has been asking for something like this since he has been on the Board. To have some sort of an email account set up with the ability for customers to direct contact the Commissioners, rather than having to take extra steps to get a message to a Commissioner, maybe, now would be the time to address that. Commissioner McCloud pointed out that in order to accomplish Commissioner Mullen's request you would have to be on the Board of Water & Light's server.

Chair Ward requested for the IT Department to contact her so that they could explore the possibility and or options of placing the evaluation form on the web.

Other

Commissioner Mullen spoke about the Board ability to hire help for the Internal Auditor and the Corporate Secretary. He said the Board cannot hire someone because the Charter is committed. After speaking with legal he was informed that, the Appointed employees themselves can hire someone if we put it in the budgetary process and authorize a certain amount of dollars for that purpose. Commissioner Mullen suggested that the HR chair, and legal representation sit down and decide what we can do as a commission, to authorize our employees to have the support they need to do their jobs.

Excused Absence

None

Public Comments

Steven Reed, LSJ Reporter questioned if the structure of the previous general manager's contracts and reviews coincided with the BWL fiscal year, and because of the effects of the review process, by which the Board is bound, with Mr. Peffley being given a one-year contract in January, how will that effect his (one year contract) ending six months down the line be?

In response to Mr. Reed's question HR Chair Ward stated in Mr. Peffley's contract under the Termination Section it states that the Interim General Manager's Employment Agreement may be terminated by either party at any time with or without cause and with or without reason.

Ms. Ward was reminded that the Board does not usually respond to questions during public comment.

Board Chair Price congratulated Commissioner Ward on her new employment position.

Adjourn

On Motion by Commissioner Price, seconded by Commissioner McCloud, the meeting adjourned at 6:46 p.m.

Respectfully Submitted
Cynthia Ward, Chair
Human Resource Committee

MANAGER'S RECOMMENDATIONS

RESOLUTION 2015-03-01

Authority to Invest Operating and Pension Funds

RESOLVED, that Board of Water and Light Policy 7-01 "Authority to Invest Operating and Pension Funds" is hereby amended as follows:

RESOLVED, that the General Manager and the Chief Financial Officer shall be authorized to establish all necessary cash and investment accounts and to enter into all necessary transactions and agreements required to provide for the investment of operating and pension funds in the name of the Board of Water and Light (BWL), in such securities as

permitted by law. Allowable transactions include, but are not limited to, the purchase, sale, and endorsement for transfer of certificates representing said securities. All transactions must also be in compliance with the then current BWL Pension and Operating Fund Investment Policies.

RESOLVED, that the General Manager and the Chief Financial Officer may further delegate their full or limited investment authority to other specified BWL staff respectively. The General Manager and Chief Financial Officer shall document the extent of authority delegated as well as the specific BWL staff receiving said authority. Only employees with actual, documented authority may be permitted to execute investment activities.

The Revenue Bond Act of 1933 (PA 94 of 1933, MSA5.2731), as amended, Act 20 of 1943, as amended, and BWL Bond Resolution 89-10-3 govern and restrict the investment of BWL operating funds. Pension funds are governed by the Public Retirement System Investment Act (MCL 38.1132 et seq.), as amended.

This resolution supersedes Resolution 2014-11-4

Staff Comments: Due to organizational and title changes, this resolution is necessary to incorporate the new title and position of Chief Financial Officer.

Motion by Commissioner Zerkle seconded by Commissioner Mullen Ward, to approve the Resolution for the Authority to Invest Operating and Pension Funds to reflect organizational changes.

Action: Carried Unanimously

RESOLUTION 2015-03-02
AUTHORITY TO SIGN CHECKS

RESOLVED, That Board of Water and Light Policy 1-01 "Authority to Sign Checks" is hereby amended as follows:

The signatures of not less than two (2) of the following officers shall be required to issue checks from any general checking account held by the BWL.

1. General Manager
2. Chief Financial Officer
3. Corporate Secretary

This resolution supersedes Resolution 2009-12-07.

Motion by Commissioner Ward seconded by Commissioner Mullen Ward, to approve the Resolution for Signature Authority to reflect organizational changes.

Action: Carried Unanimously

UNFINISHED BUSINESS

There was no Unfinished Business

NEW BUSINESS

There was no New Business

RESOLUTION FOR ACTION

RESOLUTION 2015-03-03

ENGAGEMENT OF DENENBERG TUFFLEY

WHEREAS, FM Global, the Lansing Board of Water & Light (LBWL)'s insurance carrier, has filed a subrogation claim against JCI Jones Chemicals, Inc. for the recovery of insured losses associated with the July 2011 Wise Road Incident;

WHEREAS, the LBWL has an opportunity to pursue recovery of its uninsured losses directly from JCI Jones Chemicals, Inc. through a joint representation arrangement with FM Global whereby the LBWL would engage FM Global's attorney, Denenberg Tuffley represent the LBWL directly;

WHEREAS, as recommended by staff and supported by the Board of Commissioners, the LBWL would like to engage Denenberg Tuffley to represent the LBWL directly in a joint representation arrangement in pursuit of recovering the LBWL's uninsured losses associated with the July 2011 Wise Road Incident;

WHEREAS, Deneberg Tuffley is not on the LBWL's Special Counsel List approved by the Lansing City Council; and

WHEREAS, Section 4-304 of the Lansing City Charter prohibits a board or officer from retaining legal counsel which has not been approved by City Council.

RESOLVED, the Board of Commissioners authorizes the engagement of Denenberg Tuffley to represent the LBWL against JCI Jones Chemical, Inc., contingent upon the approval of Lansing City Council.

Motion by Commissioner Bossenbery seconded by Commissioner Mullen, to approve the Resolution for the retention of the Denenberg Tuffley Law Firm.

Action: Carried Unanimously

RESOLUTION 2015-03-04

AUTHORITY TO RESOLVE INSURANCE CLAIM

RESOLVED, that the Board of Water & Light Board of Commissioners authorize Interim General Manager Richard Peffley to resolve the insurance claim with FM Global for the July 2011 Wise Road incident as recommended by and discussed with legal counsel.

Motion by Commissioner Zerkle seconded by Commissioner Ward, to approve the Resolution authorizing the Interim General Manager to resolve the insurance claim with FM Global.

Action: Carried Unanimously

PULLED FROM THE AGENDA AND REFERRED BACK TO THE COW

Proposed Resolution: Advisory Non-Voting Commissioner Seating Accommodations

WHEREAS, on November 4, 2014 the Lansing City Charter was amended such that section 5-103.12 was added;

WHEREAS, section 5-103.12 of the Lansing City Charter provides for 3 additional Commissioners for the Board of Water & Light representing municipalities outside the City of Lansing of which are non-voting Commissioners;

WHEREAS, the addition of the 3 additional Commissioners require certain physical and operational considerations to address meeting attendance needs;

WHEREAS, the Corporate Secretary, together with operational staff have investigated and presented the Board of Commissioners with a seating arrangement options at the March 10, 2015 Committee of the Whole meeting;

WHEREAS, the Committee of the Whole passed a motion to recommending Scenario #3, which would physically extend the current dais to accommodate the 3 additional Commissioners new members; and

WHEREAS, Scenario #3 would also include the purchase of new chairs and a matching table for regular committee meetings.

RESOLVED, that the Board of Water & Light Board of Commissioners authorize and direct the Corporate Secretary, together with operational staff to proceed with effectuating Scenario #3 for the purposes accomplishing necessary seating accommodations for the 3 additional Commissioners.

MANAGER'S REMARKS

Interim General Manager Peffley informed the Board of the following:

- The Board of Water & Light was a \$2000.00 Sponsors for the Red Wings Spartan Alumni Hockey game that was held at Munn Arena on March 15, 2015. This donation helped the Steadfast Foundation raise money for local charities that focuses on cures for children with cancer.

- The Board of Water & Light is in the process of responding to an employee Safety Training Program RFP that was requested by the City of E. Lansing. The BWL is well known for its safety record and has good program. Interim General Manager Peffley believes this a great partnership between the BWL and City of E. Lansing and will further support regionalization.
- Directly following tonight is meeting, Interim General Manager Peffley will conduct a tour of the newly renovated Haco facility for the Commissioners and staff.

COMMISSIONERS' REMARKS

There were no Commissioner's Remarks

EXCUSED ABSENCE

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

PUBLIC COMMENTS

Paul Matuka, a resident of E. Lansing, MI, spoke about stockholder input.

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

Board Chair Price stated that our attorneys have provided us with an Attorney Client Privilege memorandum and they are present and available to discuss the contents of that memorandum with us.

Motion by Commissioner Bossenbery, Seconded by Commissioner Zerkle to go into closed session for the purpose of reviewing the contents of the attorney-client privileged memorandum as permitted by the Open Meetings Act, specifically MCL 15.268(h) and MCL 15.243(g).

Roll Call Vote:

Yeas: Commissioners Bossenbery, Louney, McCloud, Mullen, Price, Ward and Zerkle

Nays: None

Absent: Commissioner Thomas

The Committee of the Whole went into a Closed Session meeting at 5:47 p.m.

The Committee returned to the Open Session meeting at 6:23p.m.

ADJOURNMENT

On motion by Commissioner Bossenbery, seconded by Commissioner McCloud the meeting adjourned at 6:26 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: April 9, 2015
Official Minutes filed (electronically) with Lansing City Clerk: June 9, 2015