



## MINUTES OF THE BOARD OF COMMISSIONERS MEETING

### LANSING BOARD OF WATER AND LIGHT

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July 28, 2020

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Due to public safety concerns resulting from the COVID-19 Pandemic, the Regular Board of Commissioners meeting for the Lansing Board of Water and Light (BWL) was conducted via WebEx Conferencing in Lansing, MI, on Tuesday, July 28, 2020. This meeting was publicly noticed for 5:30 p.m.

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

The Corporate Secretary, M. Denise Griffin, called the roll.

Present: Commissioners David Price, Deshon Leek, David Lenz (arrived at 5:34 p.m.), Tony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Douglas Jester (East Lansing), and Larry Merrill (Delta Township).

Absent: Commissioner Beth Graham

The Corporate Secretary declared a quorum.

### ELECTION OF OFFICERS FY 2020-2021

Corporate Secretary M. Denise Griffin presented the June 23, 2020 Nominating Committee Report for Nominating Committee Chairperson, Commissioner Beth Graham, who has an excused absence for this meeting. The proposed slate of officers for Fiscal Year 2020-2021 is as such: Commissioner David Price serving as Chairperson; and Commissioner Tracy Thomas serving as Vice Chairperson. There were no further nominations for the officers' positions.

**Motion** by Commissioner Leek, **Seconded** by Commissioner Zerkle to approve the nominations of Commissioner David Price to serve as the Chairperson and Commissioner Tracy Thomas to serve as the Vice Chairperson of the Board of Commissioners for Fiscal Year 2020-2021.,

#### **Roll Call Vote:**

**Yeas:** Commissioners Deshon Leek, David Lenz, Tony Mullen, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

Chair Price requested approval for the appointment of Commissioner Tony Mullen as the fourth member of the Executive Committee to fill the vacancy created by the appointment of Commissioner Tracy Thomas as Board of Commissioners Vice Chair.

**Motion** by Commissioner Price, Seconded by Commissioner Thomas to approve the appointment of Commissioner Tracy Thomas to serve as the fourth member on the Board of Commissioners Executive Committee.

**Roll Call Vote:**

**Yeas:** Commissioners Deshon Leek, David Lenz, Tony Mullen, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

Chair Price stated that Committee Assignments for the Commissioners would be sent out next week.

**APPROVAL OF MINUTES**

**Motion** by Commissioner Thomas, **Seconded** by Commissioner Leek, to approve the Regular Board Meeting minutes of May 26, 2020.

**Action:** Motion Carried.

Commissioner Price led the Pledge of Allegiance.

**PUBLIC COMMENTS**

Mr. Randy Dykhuis of Lansing, MI spoke about the June 30, 2020 COW meeting and expressed favor toward the increased commitment toward clean energy from 40% to 50% by 2030 and attainment of carbon neutrality by 2040 but expressed disappointment that the goals were not more aggressive and that the IRP hasn't been drafted. Mr. Dykhuis commented that it was stated at the meeting that the IRP would not be approved by the Board of Commissioners and therefore there would not be any oversight. He advised the Board to provide public hearings for public input and to work with experts, consultants, and outside energy experts to revise the IRP and to strive for 100% renewables.

**COMMUNICATIONS**

Chair Price expressed condolences for the passing of former Mayor Virg Bernero's father and that in lieu of flowers donations can be made to St. Vincent de Paul Society.

Electronic Mail received From or Re:

- a. Electronic mail from Steve Harry re: A FIOA Request - *Referred to Management. Received and Placed on File.*
- b. Electronic mail from Heather Douglas re: IRP - *Referred to Management. Received and Placed on File.*

**COMMITTEE REPORTS**

Corporate Secretary M. Denise Griffin presented the Nominating Committee Report for Commissioner Beth Graham:

**NOMINATING COMMITTEE MINUTES**  
**June 23, 2020**

Due to public safety concerns resulting from the COVID-19 Pandemic, the Nominating Committee meeting of the Lansing Board of Water and Light (BWL) was conducted via WebEx Conferencing in Lansing, MI, at 4:00 p.m. on Tuesday, June 23, 2020.

Nominating Committee Chair, Beth Graham, called the meeting to order at 4:00 p.m. and asked the Corporate Secretary to call the roll. The following committee members were present: Commissioners Beth Graham, Deshon Leek, David Lenz, and Sandra Zerkle. The following Commissioners were also present: Commissioners David Price and Ken Ross (arrived @4:02 p.m.)

Absent: None

### **Public Comments**

There were no public comments.

### **Approval of Minutes**

**Motion** by Commissioner Zerkle, Seconded by Commissioner Leek to approve the Nominating Committee meeting minutes of June 20, 2019.

**Action:** Motion Carried

### **Officer & Committee Survey Memorandum and Officer & Committee Survey Results**

Nominating Committee Chair Beth Graham stated that the Officer Committee Survey Memorandum and Committee Survey Results Forms 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 2020-2021**

#### **Chairperson and Vice Chairperson**

Nominating Committee Chair Graham opened the floor for nominations for the Chairperson for the 2020-2021 fiscal year and for the Vice Chairperson for the 2020-2021 fiscal year.

Commissioner Leek inquired about the Administrative Rules of Procedure and questioned if the process was being followed regarding the Commissioners rotating the Officer positions. Nominating Chair Graham asked Corporate Secretary Griffin to respond to the inquiry. Corporate Secretary Griffin stated that the role of the Nominating Committee according to the Rules of Procedure is that the "Board" shall endeavor to rotate the officer positions annually. Upon conclusion of dialogue the following motion was offered:

**Motion** by Commissioner Leek, Seconded by Commissioner Lenz to nominate Commissioner David Price to serve as the Chairperson for the 2020-2021 fiscal year.

#### **Roll Call Vote:**

**Yeas:** Commissioners Beth Graham, Deshon Leek, David Lenz, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

**Motion** by Commissioner Zerkle, Seconded by Commissioner Leek to nominate Commissioner Tracy Thomas as the Vice Chairperson for the 2020-2021 fiscal year

#### **Roll Call Vote:**

**Yeas:** Commissioners Beth Graham, Deshon Leek, David Lenz, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

**Motion** by Commissioner Zerkle, Seconded by Commissioner Lenz to present the slate of Officers for 2020-2021 to the full Board for consideration as follows:

Chair:	David Price
Vice Chair:	Tracy Thomas

**Roll Call Vote:**

**Yeas:** Commissioners Beth Graham, Deshon Leek, David Lenz, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

Nominating Committee Chair Graham stated that the recommended slate of officers will be presented to the full Board for consideration at the July 28<sup>th</sup> Board/Annual Organizational meeting. Nominations will also be taken from the floor for the Officer positions at the July Board/Annual Organizational meeting.

**Excused Absence**

None

**Adjourn**

There being no further business, the meeting adjourned at 4:13 p.m.

Respectfully submitted,  
Beth Graham, Chair  
Nominating Committee

Commissioner Tracy Thomas presented the Human Resources Committee Report:

**HUMAN RESOURCES COMMITTEE  
Meeting Minutes  
June 23, 2020**

Due to public safety concerns resulting from the COVID-19 Pandemic, the Human Resources Committee meeting of the Lansing Board of Water and Light (BWL) was conducted via WebEx Conferencing in Lansing, MI, at 4:45 p.m. on Tuesday, June 23, 2020.

Human Resources (HR) Committee Chairperson Tracy Thomas called the meeting to order and asked the Corporate Secretary to call the roll.

Present: Commissioners Tracy Thomas, Beth Graham, Deshon Leek, and Sandra Zerkle. Also present: Commissioners David Lenz, Anthony Mullen, David Price, Ken Ross, and Non-Voting Commissioner Larry Merrill (Delta Township)

Absent: None

**Public Comments**

None

### **Approval of Minutes**

**Motion** by Commissioner Zerkle, Seconded by Commissioner Leek, to approve the Human Resources Committee meeting minutes of November 5, 2019.

**Action:** Motion Carried.

### **Memorandum of Understanding (MOU) for Labor Agreement**

General Manager Peffley spoke about the Labor Agreement MOU which requests, due to COVID 19 budget issues, a one-year extension of the contract from October 31, 2020 to October 31, 2021 to offset labor increases. Bargaining employees will receive a lump sum payment of \$641.00 for extending the contract. BWL will save \$1.1 million with this agreement. Additionally, bargaining employees will be able to sign up for the Green Plan during the September 2020 open enrollment. It is optional but the more employees that sign up for the Green Plan the lower health costs will be for BWL. GM Peffley recommended forwarding the resolution for the labor agreement to the full board for approval.

Commissioner Thomas asked if the lump sum payment would be compounded on the salary of bargaining employees. GM Peffley responded that it is a one-time payment that doesn't go into the employees' base pay.

Commissioner Leek asked for a description of the Green Plan. Human Resources Executive Director Lynette Keller described the Green Plan design change. The Green Plan has the same benefits of the Blue Plan but with a different cost structure. The Blue Plan deductible is \$250 per individual and \$500 per family and there is no co-insurance. The Green Plan deductible is \$1000 per individual and \$2000 per family and the co-insurance is \$1000 per individual and \$2000 per family. There is a difference of 90% and 100% coverage in the plans where the 10% difference goes toward the co-insurance. The total out of pocket maximum and prescription program are the same for both plans. The major difference is the cost to the employee which is lower for the Green Plan.

Commissioner Ross asked if the Green Plan is an HSA Plan. Ms. Keller responded that it isn't and are standard PPO plans with a very high level of coverage for the employees. The deductible and co-insurance are the major differences. Commissioner Ross also asked about the plan for non-bargaining employees and an HSA for bargaining units. Chief Financial Officer Heather Shawa responded that an HSA plan such as the Green Plan for the bargaining employees is under consideration and currently an FSA plan is in effect.

Commissioner Zerkle commented that all employees pay 20% of the premiums and asked if a copy of the Green Plan information can be provided to Commissioner Leek. Corporate Secretary Griffin will send the information to Commissioner Leek.

**Motion** by Commissioner Zerkle, Second by Commissioner Leek to forward the Resolution for the Memorandum of Understanding Extending the 2016-2020 Collective Bargaining Agreement between LBWL and the IBEW, AFL-CIO, Local 352 to the full board for consideration.

### **Roll Call Vote:**

**Yeas:** Commissioners Tracy Thomas, Beth Graham, Deshon Leek, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

### **FY 2021 Charter Appointed Reappointments**

Human Resources Chair Tracy Thomas said, "In Accordance with Section 8.1 of our Administrative Rules of Procedure and the City Charter, the Board must appoint or reappoint its 3 Charter Appointed Employees each fiscal year". Chair Thomas explained that usually the reappointment resolutions are considered upon completion of the annual performance reviews, however due to public safety concerns resulting from the COVID-19 Pandemic and the social distancing requirements, the Committee will move forward with the reappointment resolutions today, and reserve the opportunity to conduct in-person performance reviews at a later date.

**Motion** by Commissioner Thomas, **Seconded** by Commissioner Graham to forward the resolution reappointing M. Denise Griffin to the Charter position of Corporate Secretary, Wesley Lewis to the Charter position of Internal Auditor, and Richard R. Peffley to the Charter position of General Manager for FY21 to the full Board for consideration.

**Action:** Motion Carried by the following Roll Call Vote:

**Roll Call Vote:**

**Yeas:** Commissioners Tracy Thomas, Beth Graham, Deshon Leek, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

**Subsequent Steps for Board Appointed Employees Contracts**

**Motion** by Commissioner Thomas, **Seconded** by Commissioner Zerkle to charge the HR Chair and the Board Chair with the task of working with the appointed employees on their respective annual merit considerations after the performance reviews have taken place, on behalf of the Board of Commissioners.

**Roll Call Vote:**

**Yeas:** Commissioners Tracy Thomas, Beth Graham, Deshon Leek, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

**Excused Absence**

None

**Other**

None.

**Adjourn**

**Motion** by Commissioner Graham, **Seconded** by Commissioner Leek, to adjourn the meeting.

**Action:** Motion Carried

Meeting adjourned at 5:06 p.m.

Respectfully Submitted,  
Tracy Thomas, Chair  
Human Resources Committee

Vice Chair Tony Mullen presented the Committee of the Whole Report:

**COMMITTEE OF THE WHOLE**  
**June 30, 2020**

Due to public safety concerns resulting from the COVID-19 Pandemic, the Committee of the Whole meeting for the Lansing Board of Water and Light (BWL) was conducted via WebEx Conferencing in Lansing, MI, at 5:30 p.m. on Tuesday, June 30, 2020.

Committee of the Whole Chair Tony Mullen called the meeting to order at 5:30 p.m.

Present via WebEx: Commissioners Tony Mullen, Beth Graham (arrived @ 6:12 p.m.), Deshon Leek, David Lenz, David Price, Ken Ross, Tracy Thomas, Sandra Zerkle, and Non-Voting Members: Michael Froh (arrived @ 5:51 p.m.), Doug Jester (East Lansing), and Larry Merrill (Delta Township).

Absent: None.

The Corporate Secretary declared a quorum.

**Public Comments**

None.

**Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner Zerkle, to approve the Committee of the Whole Meeting minutes of April 28, 2020.

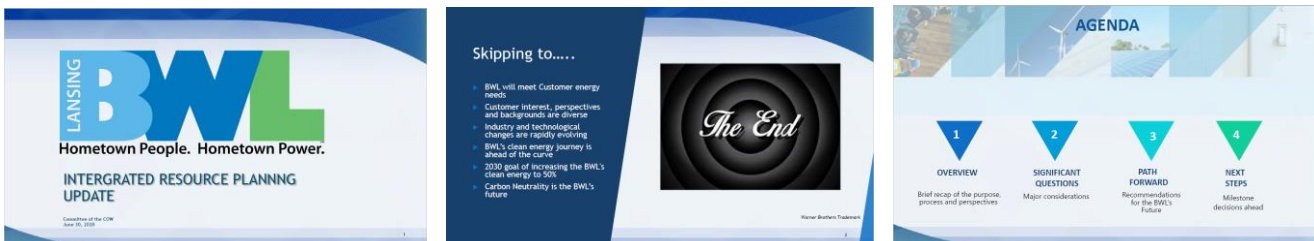
**Motion** Carried by the following Roll Call Vote:

Yeas: Commissioners Mullen, Graham, Leek, Lenz, Price, Ross, Thomas and Zerkle

Nays: None

**Integrated Resource Plan (IRP) Update**

Executive Director of Strategic Planning and Development, Ms. Brandie Ekren, presented the Integrated Resource Planning (IRP) Update. Ms. Ekren introduced Mr. Steve Brennan, Planning and Development Manager, who would be available to answer questions. Ms. Ekren stated a formal report has been made, in addition to the presentation, which includes all the studies, all the modeling results, and all the stakeholder feedback comments.



### OVERVIEW

Purpose, Process & Perspectives

**Purpose of an Integrated Resource Plan (IRP)**  
Meeting the energy needs of customers in a manner that is affordable, reliable and environmentally responsible.

**IRP Process**  
Stakeholder engagement, industry research, modeling, public open house

**Make-up of BWL Customer Base**  
Residential and commercial customers, located within the Lansing Community, diversity of backgrounds, income, and interest.

**Perspectives**  
Forecast of future needs, technology and industry changes, increased need for climate response strategies.

### IRP STAKEHOLDER ENGAGEMENT

One-on-one meetings with various organizations within the Lansing Community

IRP 200

Five public meetings at locations throughout the service territory

A third-party survey firm randomly polled 400 residential customers and 300 business customers via a variety of topics related to the IRP planning process. Customers' input priorities related to clean energy, reliability, and affordability.

No customer surveys collected and information on active contributions from members of the public via the online and phone opportunities.

Social media, email and web links soliciting community of opportunities to participate and provide input.

### SIGNIFICANT QUESTIONS

Major Considerations

- CUSTOMER INTEREST**  
How can the BWL address increased customer interest in renewables & climate?
- BENEFICIAL ELECTRIFICATION**  
What is the impact of electric transportation and space conditioning?
- ENERGY WASTE REDUCTION**  
What are the BWL's energy waste reduction opportunities?
- CLIMATE**  
How should the BWL address environmental impacts?
- AFFORDABILITY**  
How should the BWL take advantage of the increased affordability of cleaner power?
- TECHNOLOGY**  
What will be the impact of technology, especially on the utility business model?

### BALANCING PERSPECTIVES

**Financial**  
 > Net Present Value  
 > Rate Impact  
 > Financial Risk

**Operational Flexibility**  
 > Percentage of Dispatchable Generation to Total Generation  
 > Generation Diversity

**Environmental**  
 > CO<sub>2</sub> Emissions Reduction  
 > NO<sub>x</sub> Emissions Reduction  
 > SO<sub>2</sub> Emissions Reduction

### CLEAN ENERGY & CARBON

How the BWL compares to its competitors - before recommendations

2022: Eliminate Lansing Coal/ 80% Carbon Reduction

2025: Goal: 25% Renewable

2030: Goal: Eliminate Coal 90% Carbon Reduction - 22% EE, 12% Storage, 56% Renewable

2040: Goal: 40% Carbon Reduction @ 30% Renewable

2050: Goal: Net Zero Carbon

### PATH FORWARD

Recommendations for BWL

Coal Fire Leaving

A pivotal step to reduce carbon emissions involves replacing coal-based generation with cleaner and affordable solutions.

Continuing the Clean Energy Journey

To join the many pioneers that have adopted clean energy goals, increasing incrementally our clean energy goal to 50% by 2030 will allow us to make progress as we transition to an evolved climate response strategy.

Carbon Neutrality

This will eventually lead to the goal for 100% carbon reduction as technology such as battery storage become economically viable.

### 50% Clean Energy Strategy

Current Strategy (Base)

- Current plan 30% clean energy in 2020, 40% in 2030, Erickson retirement 2025, 1% energy waste reduction, all other options optimized.
- 2030 resource mix relies on battery storage and demand response programs.

Recommended Strategy (3.0)

- 30% clean energy in 2020, 50% in 2030, Erickson retirement 2025, 1% energy waste reduction, all other options optimized.
- 2030 resource mix relies on projected and increased solar investment opportunities.
- Solar investments with a behind the meter and customer off-take strategy.
- Technology enhancements of storage and demand response programs would be upping.

### METRIC IMPACT

50% Clean Energy Compared to current Clean Energy Goal

**Net Present Value**  
\$1,466,070,688 compared to \$1,468,954,993

**Operational Flexibility**  
38% compared to 56%<sup>1</sup>

**Rate Impact**  
\$49.46 compared to \$49.55

**Generation Diversity**  
0.5:57 compared to 0.5:30

**CO<sub>2</sub> Reduction**  
83.0% compared to 81%

**SO<sub>2</sub> Reduction**  
99.9%

**NO<sub>x</sub> Reduction**  
97.0%

**Financial Risk**  
\$289,347,912 compared to \$295,795,481

### BALANCED JOURNEY

2001: Offer customer opportunity to invest in renewable energy options.

2007: Adopted Michigan's first renewable energy standard with plans for energy efficiency.

2008: Aligned net metering program providing incentives for customers installing renewable energy systems.

2016: Established future clean energy goals of 50% by 2030 & 40% by 2035.

2018: Announced that it will be the 4<sup>th</sup> state utility to retire its coal-fired power plants by 2025.

### BALANCED JOURNEY

2007: BWL contracted for 100 MW of natural gas energy.

2008: BWL constructed Cedar Street solar array (Michigan's largest at the time).

2014: BWL contracted for approximately 20 MW of wind energy and installed by Cedar Street Solar array to 1500V.

2015: BWL led development of 300MW community solar project allowing customers to directly invest.

### BALANCED JOURNEY

2016: BWL contracted for 24 MW of solar in Delta Township, the state's largest tracking solar array.

2017: BWL contracted for an additional 10 MW of solar in Calhoun County and 80 MW in Shiawassee County.

2018 & 2019: BWL contracted for 89 MW of solar in Tuscola County (which was subsequently renegotiated to 68 MW in 2020).

### 50% CLEAN ENERGY & CARBON NEUTRALITY

Strategies

- Rate Impact
- Financial
- Operational Flexibility
- Generation Diversity
- CO<sub>2</sub>
- NO<sub>x</sub>
- SO<sub>2</sub>
- Environment
- Systemic Risk
- Risk
- Investment Risk
- Business Requirements

### WHAT IS CARBON NEUTRALITY?

**Net Zero**  
Achieving a net zero carbon footprint either generation related or other company wide activity.

**Renewable Electric Resources**

- Increasing renewable generation as a global solution.
- Although technology will eventually increase, reliability of renewable sources, Carbon Neutrality strategy is an integrated approach.

**Beyond Generation**

- Mitigate or offset the remaining emissions.
- Participate in a long-term buy-back trade.
- Undertake programs that absorb carbon from the atmosphere.
- Further develop Energy Waste Reduction programs to reduce customer and their consumption.

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### GROWING COMMITMENT

**US States, 65 Countries, And Over 100 Cities**

**Investor-owned and Municipal Utilities**

- Consumer's Energy
- DTE Energy
- Austin Energy
- EverSource
- Seattle City Light
- Madison Gas & Electric
- PG&E
- Xcel
- Duke Energy
- Domestic
- NRG

**Corporations**

- Microsoft
- Google
- General Motors
- IBM
- Facebook
- Apple
- Amazon

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- Amazon

### NEXT STEPS

Evaluate BWL Coal Portfolio

Carbon Reduction Targets in Strategic Plan

Develop Carbon Reduction & Offset Program

Reflect Goals in "scorecard"

Initiate utility coal-based generation source

Climate response strategy

Align contracts and procurement plan

Reduce emissions, reduce utility's renewable energy portfolio

### NEXT STEPS CONT....

**Evaluate Business Model**  
Continue to research industry changes and opportunity for the BWL to evolve its business model and customer experience.

**Belle River**  
Monitor the status of DTE's Belle River and update modeling accordingly.

**Grid Modernization and Resilience**  
Integrate T&D planning to traditional generation planning.

**Evaluate Transmission**  
Review transmission configuration in the MSO market.





Ms. Ekren stated that the main purpose of the IRP Plan is to meet the energy needs of its customers in a manner that is affordable, reliable and environmentally responsible. Ms. Ekren reported on the six main goals of the Board of Water and Light of meeting the energy needs of its customers, focusing on customer interest and perspectives, keeping up with rapidly evolving industry and technological changes, keeping ahead of clean energy goals, increasing clean energy goals, and carbon neutrality as soon as 2040.

Commissioner Zerkle asked if the percentage of income was the same as the 87% revenue received from electricity from residential customers and 13% revenue from industrial customers. Ms. Ekren responded that the 87% refers to the number of customers and revenue refers to the two thirds received from industrial customers. Commissioner Zerkle also asked about BWL not being the hub for electrical energy in a few years. Ms. Ekren responded that as more customers express an interest to generate their own energy those customers will be considered energy providers as they will be producing enough energy to serve others. This is called distributed generation by the BWL.

Commissioner Ross commended Ms. Ekren for setting specific clean energy and carbon goals, commented about new terms being clearly defined, and asked at what point BWL would be at 100% renewables. Ms. Ekren responded that clean energy is a combination of renewable energy and energy efficiency and gave as an example the 2020 goal of 30% clean energy which includes 20% renewable and 10% energy efficiency. The BWL's goal is to be at 100% renewables but doesn't have a set date yet.

Commissioner Price asked whether BWL was proposing using credits. Ms. Ekren responded that energy consists of the energy itself, capacity value and renewable credits, and both energy and renewable credits will be used. Ms. Ekren also responded that carbon offset credits can be used to offset carbon emissions.

Commissioner Lenz inquired about forecasting that customers will be contributing to the BWL energy portfolio by their own energy production in the future and whether the BWL has a way to offset lost revenue or generate revenue through those customers. Ms. Ekren responded that there a number of different options being pursued including offering customers that want to participate in the renewable contracts with a longer contract so that they don't have to build their own infrastructure.

Commissioner Zerkle asked about the IRP Plan being a 10 to 15-year goal adjustment from the last IRP. Ms. Ekren responded that 20-year projections and re-evaluations are conducted periodically. Commissioner Zerkle asked whether the financial impact on customers was a consideration in the plan projections. Ms. Ekren responded that there is a balance between renewable energy goals, economic needs and financial impacts on customers.

Commissioner Ross inquired whether the IRP projections included current generation capacity with no additions. Ms. Ekren affirmed.

Commissioner Zerkle asked what consideration had been given to being the supplier and repairer of solar and wind equipment and if it was financially feasible. Mr. Brennan responded that there are a lot of common skill

sets with current services provided and although tax incentives aren't in BWL's favor right, it is something that will be checked into.

Commissioner Thomas and Commissioner Zerkle commended Ms. Ekren and her team for the strategic plan presentation and new solar program that saved BWL a lot of money.

Commissioner Ross asked when the IRP report will be provided to the Commissioners for review. Ms. Ekren responded that additional work is being completed and the goal for publishing the report is after the holiday. Ms. Ekren is planning to provide all data that was reviewed to the stakeholders. The Corporate Secretary Ms. Griffin responded that the information will be provided on the Commissioners' portal.

Commissioner Price commented that a way to access the information that is easily accessible to the general public should be provided. Ms. Ekren responded that the information will be provided to the general public on the website by Ms. Griffin and Ms. Amy Adamy. A link can be provided through an email as with the stakeholders.

### **Other**

There was no other business.

### **Adjourn**

**Motion** by Commissioner Price, Second by Commissioner Thomas to adjourn the meeting. The meeting was adjourned at 6:43 p.m.

Respectfully Submitted  
Anthony Mullen, Chair  
Committee of the Whole

Commissioner Tracy Thomas presented the Human Resources Committee Report:

**HUMAN RESOURCES COMMITTEE  
Meeting Minutes  
July 16, 2020**

The Human Resources Committee of the Lansing Board of Water and Light (BWL) met via WebEx (BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI) at 4:00 p.m. on Thursday, July 16, 2020.

Human Resources (HR) Committee Chairperson Tracy Thomas called the meeting to order and asked the Corporate Secretary to call the roll. The following members were present: Commissioners Tracy Thomas, Beth Graham, Deshon Leek, Sandra Zerkle. Also present Commissioners David Lenz, Tony Mullen, David Price, Ken Ross, and Non-Voting Commissioner Larry Merrill.

Absent: None

### **Public Comments**

None

### **Approval of Minutes**

**Motion** by Commissioner Zerkle, **Seconded** by Commissioner Leek, to approve the Human Resources Committee meeting minutes of May 21, 2019.

**Action:** Motion Carried.

### **Board Appointee Performance Reviews**

HR Committee Chair Thomas opened the floor for the Board Appointee Performance Reviews.

#### ***Corporate Secretary***

Corporate Secretary M. Denise Griffin requested a closed session via MS Teams 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 Thomas, **Seconded** by Commissioner Leek, to enter into closed session MS Teams to discuss the contractual year-end performance evaluation of Corporate Secretary M. Denise Griffin.

*The Human Resources Committee went into MS Teams closed session at 4:05 p.m.*

#### **Roll Call Vote:**

**Yeas:** Commissioners Thomas, Graham, Deshon Leek, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

**Motion** by Commissioner Graham, **Seconded** by Commissioner Leek, to reconvene into open session via WebEx.

**Action:** Motion Carried.

*The Human Resources Committee reconvened to WebEx open session at 4:30 p.m.*

#### ***General Manager***

General Manager Richard Peffley requested a MS Teams 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 Thomas, **Seconded** by Commissioner Graham, to enter into a MS Teams closed session to discuss the contractual year-end performance evaluation of General Manager, Richard Peffley.

#### **Roll Call Vote:**

**Yeas:** Commissioners Thomas, Graham, Deshon Leek, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

*The Human Resources Committee went into MS Teams closed session at 4:32 p.m.*

**Motion** by Commissioner Zerkle, **Seconded** by Commissioner Graham, to reconvene into WebEx open session.

**Action:** Motion Carried.

*The Human Resources Committee reconvened to WebEx open session at 5:17 p.m.*

***Internal Auditor***

Internal Auditor, Wesley Lewis, requested a MS Teams 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 Thomas, **Seconded** by Commissioner Graham, to enter into MS Teams closed session to discuss the contractual year-end performance evaluation of Internal Auditor, Wesley Lewis.

**Roll Call Vote:**

**Yeas:** Commissioners Thomas, Graham, Deshon Leek, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

*The Human Resources Committee went into MS Teams closed session at 5:18 p.m.*

**Motion** by Commissioner Graham, **Seconded** by Commissioner Zerkle, to reconvene into WebEx open session.

**Action:** Motion Carried.

*The Human Resources Committee reconvened to WebEx open session at 6:28 p.m.*

**Other**

None

**Adjourn**

**Motion** by Commissioner Leek, **Seconded** by Commissioner Graham, to adjourn the meeting.

**Action:** Motion Carried

Meeting adjourned at 6:32 p.m.

Respectfully Submitted,  
Tracy Thomas, Chair  
Human Resources Committee

Commissioner Ross presented the Finance Committee Report:

**FINANCE COMMITTEE  
Meeting Minutes  
July 21, 2020**

Due to public safety concerns resulting from the COVID-19 Pandemic, the Finance Committee meeting for the Lansing Board of Water and Light (BWL) was conducted via WebEx Conferencing in Lansing, MI, at 5:00 p.m. on Tuesday, July 21, 2020.

Finance Committee Chair Ken Ross, called the meeting to order at 5:00 p.m. and asked Corporate Secretary Griffin for the roll call.

Present: Commissioners Ken Ross, David Lenz, Tony Mullen, and David Price. Also, present: Commissioners Beth Graham, Tracy Thomas (arrived @5:33 p.m.), Sandra Zerkle (arrived @5:33 p.m.) and Non-Voting Commissioners Douglas Jester (East Lansing) and Larry Merrill (Delta Township (arrived at 5:36 p.m.)

Absent: None.

The Corporate Secretary declared a quorum.

**Public Comments**

None.

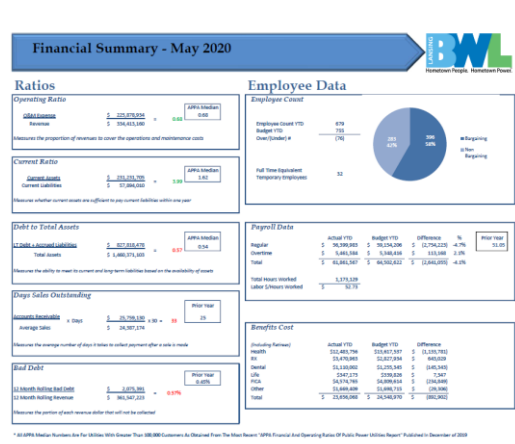
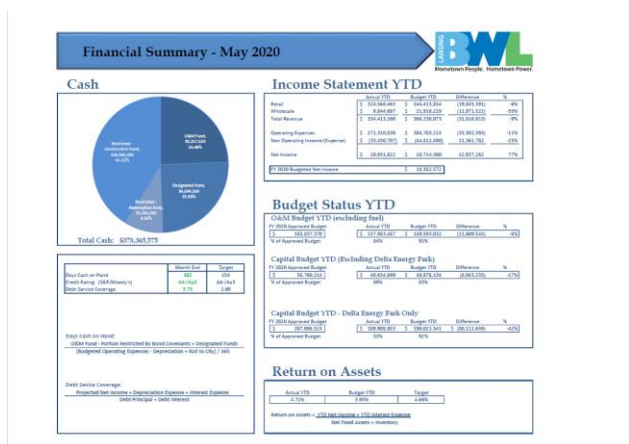
**Approval of Minutes**

**Motion** by Commissioner Price, Seconded by Commissioner Mullen, to approve the Finance Committee meeting minutes of May 26, 2020.

**Approval:** Motion Carried

**May YTD Financial Summary**

Chief Financial Officer (CFO), Ms. Heather Shawa, presented the following Year to Date Financial Review:



Total cash decreased by approximately \$21.2M from the previous month. This is primarily due to Delta Energy Park (DEP) Pipeline and Construction Manager payments. Restricted construction funds will continue to decrease each month as the 2019A bond proceeds are spent down to pay for the construction of Delta Energy Park and other system improvements.

May YTD actual net income of \$29M is about \$13M over budget, primarily due to under budget expenses. Wholesale revenue is about \$12M under budget FYTD. This is primarily due to Belle River's Units 1 and 2 going into an unplanned outage, as well as Erickson transferring offline due to market/economic conditions. These factors will continue to cause wholesale revenues to fall further under budget over the remainder of the year. This, as well as the lower power supply costs, flow through the PSCR and will result in little impact to net income. As the fiscal year progresses, operating expenses have historically trended closer to budget. As noted previously, the VEBA credit adjustment is cumulative and represents \$9.5M. Nonoperating income is over budget. This is mostly due to unrealized investment returns FYTD and interest savings from the 2019A and 2019B bond issuances.

FY 2020 YTD O&M spend is about \$11.6M under budget. Again, \$9.5M of this is due to the VEBA credit adjustment. Although FY 2020 YTD capital spend was 17% below budget in May, current projections indicate we will finish closer to budget, projecting 10% spending variance. Impacts or delays related to COVID-19 are continually being evaluated. FY 2020 YTD DEP spend remains under budget through May. Many of the mechanical bid packages that were scheduled to be awarded in Q1 of FY20 have now been awarded. As work kicked off under these contracts, it was expected that expenses would begin to catch up to budget during Q3-Q4 of FY20; however, delays related to COVID-19 have impacted our ability to catch up as much as previously anticipated. The extent of the impact is still being evaluated; however, construction levels have increased, albeit slowly due to COVID-19 safety restrictions. The actual Return on Assets (RoA) of 4.71% exceeds our budgeted RoA of 3.95%, as YTD net income remains over budget.

Three out of five ratios are slightly below the benchmark. Debt to total assets is currently underperforming due to the new debt of issuance of the 2019A bonds. It will increase again slightly as we complete the third phase of financing for Delta Energy Park before decreasing as we pay off outstanding debt. Days Sales Outstanding is not beating its benchmark for May and will continue to increase in June due to customer protections during COVID that have been instituted, including suspension of late fees and a moratorium on shut-offs. The Bad Debt ratio is also likely to increase due to customer protections that have been put in place during COVID. BWL has expanded the payment arrangement program which will help minimize the amount of accumulated balances that will go uncollected.

Employee count YTD of 679, while our current FY21 budgeted headcount is 727, a variance of 48. This is being supplemented by 32 full time temporary/contract employees, including summer interns. The budgeted headcount remained higher through May due to the addition of the 12 First Step students and 15 summer interns.

The Labor \$/Hours Worked metric has continued to decline from last month. This is in line with the prior year's trend; however, much of the decline can be attributed to reduced labor hours, which is comparative to the previous fiscal year. FYTD 2020 Benefits costs remain close to budget, although the underbudget difference did increase slightly from the previous month by about \$100K primarily due to under budget dental costs.

**Internal Audit Open Management Responses Update**

Finance Manager, Mr. Scott Taylor, introduced new Finance employee, Ms. Elisha Franco, Senior Internal Control Analyst. Mr. Taylor presented the updates to the internal audit management responses.

**Follow-up to Internal Audit Findings & Recommendations**  
Finance Committee 7/21/20

**Resolution #2018-07-05 Board Policy on Follow-up to Internal Audit Findings & Recommendations**

- Internal Audit
  - Perform audits, report findings, provide recommendations, record management's response, verify completion of corrective actions
- Management
  - Respond to findings and recommendations, identify and execute appropriate and timely corrective actions
- Follow-up of Open Management Responses to Audit Findings
  - An open action items list is maintained for progress tracking
  - Management reports progress to the Finance Committee semi-annually (Jan & July)

**Open Actions**

- Procurement
  - Improve controls related to maintenance of vendor information - initial ECO (Expanded Completion Date is 3/31/20, revised ECO 8/31/20, delay primarily due to recent staffing changes)
    - Completed action - access/policy procedures have been updated, # of employees with conflicting authorizations has been reduced from 11 to 1; purchasing manager has begun conducting regular reviews of vendor changes
    - Remaining action - develop purchasing procedures for adding, disabling, and deleting vendors; # of employees with conflicts authorization reduced from 1 to 0
  - Standardize and centralize storage of purchasing documentation - ECO 10/31/20
    - Completed action - processes and procedures within the purchasing department have been revised to ensure that all their purchasing documents are stored in a centralized manner
    - Remaining action - processes and procedures within departments external to the purchasing department must be revised to ensure that all their purchasing documents are stored in a centralized manner

### Open Actions (continued)

- Cash Management & Treasury (new)
  - Improve controls surrounding daily accounts payable disbursements - ECD 12/31/20
  - Completed action - additional review of disbursements has begun
  - Remaining action - finalize a more complete resolution including possible additional report development (dependent upon IT party developer availability), review, designate, and more formalized documentation of new procedures
- Establish more centralized and comprehensive transaction approval documentation for significant transactions - ECD 9/30/20
- Remaining action - detailed review of existing wire documents, finalize additional documentation to include, consolidate and make available in a consolidated manner

### Closed Actions

- Succession Planning
  - Identify all critical positions as soon as possible - ECD 12/31/18, actual completion date 4/30/20, delay primarily due to reexamination of process for identifying critical positions and staff retirement
  - all positions reviewed, identified top 20 overall, top 20 management and above, top 20 bargaining, and top 20 non-bargaining
  - Review and update policy and procedures - ECD 6/30/18, actual completion date 4/30/20, delay also primarily due to reexamination of process for identifying critical positions and staff retirement
- Vegetation Management
  - Discuss current practice with internal experts to ensure best practice - ECD 7/31/20, actual completion date 6/30/20
  - added weekly progress meetings, began updating monthly budget spreadsheets or quarter sections are planned out, communication strategies improved to better anticipate customer and government agency concerns, utilizing additional cost tracking aids, added a safety officer for inspections and other needs

### Closed Actions (continued)

- Cybersecurity Policies
  - Update the communications technology policy to better address cyber security - ECD 12/31/19, actual completion date 5/26/20
  - Updated policy was approved by the Board of Commissioners in May 2020
- Procurement
  - Review the cost vs benefit of SAP programming changes to modify the approval process - ECD 6/30/20, actual completion date 6/30/20
  - SAP changes were determined to be cost prohibitive however additional internal control in the form of quarterly system approvals will be conducted at the purchase order level to mitigate risk
  - Improve controls and documentation related to sole source justifications and exclusions - ECD 6/30/20, actual completion date 6/30/20
  - Standard operation procedures related to sole source justification and documentation of exclusions were formalized and implemented

### Closed Actions (continued)

- Cash Management & Treasury (new)
  - Ensure that bank and investment account reconciliations have evidence of review and approval from superior and allow for a downgrade to perform when appropriate - ECD 5/31/20, actual completion date 7/16/20
  - The general accounting manual and procedure were updated to allow for a downgrade review and to clarify the requirements for documentation of review and approval
  - Policies and procedures regarding online bank portal entitlements should be formalized and controls over wire template creation should be enhanced - ECD 6/30/20, actual completion date 7/16/20
  - The procedure for establishing and maintaining wire bank portal entitlements has been expanded and formalized, all changes have confirmed that wire template creation has been updated as requested

Chair Ross inquired how flagged items on the internal audit are removed from the list. Mr. Taylor responded that meetings are held with the department that has closed an item, he or Ms. Franco will verify that the flagged item has been addressed and completed, forward the item to the Internal Auditor for his confirmation and then forward the item to the Commissioners as completed.

Commissioner Mullen asked about succession planning regarding equity and inclusion items. Mr. Taylor responded that he would follow up with an email to Commissioner Mullen

Commissioner Lenz asked what the requirements are for sole source procurement in dollar amount or percentage. CFO Heather Shawa responded that, for any purchase over \$15,000 that is not an emergent need, a form is completed by the requestor and is reviewed by the department manager, executive director, purchasing manager and CFO.

## Internal Audit Status Report & Internal Audit Work Plan

Internal Auditor, Mr. Wesley Lewis, presented the internal audit status report and internal audit work plan.



### Internal Audit Status Report

Presented by:  
Wesley Lewis  
Director of Internal Audit  
Finance Committee Meeting  
July 21, 2020

### Overview

- FY 2020 Audit Plan Progress Report
- Proposed FY 2021 Audit Plan
- Proposed Revised Audit Charter
- Action Items

### FY 2020 Audit Plan Progress Report

#### Engagements Completed:

1. Cash Management and Treasury
2. Fixed Assets

#### Engagement in Progress:

1. Energy Risk Management

### Proposed FY 2021 Audit Plan - Background

#### Basis for Plan:

1. Feedback was requested and received from Senior and Middle Management, including confirmation of the audit universe consisting of fifteen major business areas.
2. Risk assessment was conducted by inputting the audit universe information and feedback into our new audit management system. Risk scores were assigned to each of the major business areas, total scores were calculated, then each area was risk ranked. The top six areas were selected and included in the audit plan.
3. One business process in each of the top six major business areas was selected for inclusion in the audit plan. Consideration was given to rotational audits, business processes that hadn't been audited in more than two fiscal years, and business processes that have never been audited.
4. Other types of engagements were considered and budgeted hours are included in the audit plan accordingly.

### Proposed FY 2021 Audit Plan – Highlights

- Top Six Engagements for FY 2021** (as discussed and agreed with Senior Management):
1. **Information Technology – Cybersecurity Process** (*First Time Audit*)
  2. **Corporate Governance – BWL Strategic Plan and Hotline** (*First Time Audit*)
  3. **Purchasing – Purchase Card (P-Card) Usage and Control**
  4. **Revenue and Accounts Receivable – Unbilled Accounts Receivable** (*First Time Audit*)
  5. **BWL Other – IT Vulnerability Assessments** (Combine with Cybersecurity in #1 above) (*First Time Audit*)
  6. **Reliability Compliance & Market Operations – MPPA and MISO Billings**

### Proposed FY 2021 Audit Plan Details

Planned Audits:	Estimated Hours
Information Technology – Cybersecurity Process	400
Corporate Governance – BWL Strategic Plan and Hotline	500
Purchasing – P-Cards	400
Revenue and Accounts Receivable – Unbilled Accounts Receivable	500
BWL Other – IT Vulnerability Assessments	400
Reliability Compliance and Market Operations – MPPA and MISO Billings	300
<b>Other Engagements and Projects:</b>	
Ongoing Management Assistance, (including Proactive Audit Engagements)	400
New Customer Information System: Pre-implementation Audit	300
Special Projects and Requests	300
<b>Total Required Hours</b>	<b>3,500</b>



## Proposed Revised Audit Charter

The purpose of the proposed revised audit charter is to do the following:

1. Reinforcement of Internal Audit's Free Access To Data, Books, and Records
2. Clarify Relationship Between The Internal Auditor and the General Manager
3. Introduction of Proactive Internal Concept

### Reinforcement of Internal Audit's Free Access To Books and Records:

- Besides free access must be ongoing and unfettered. This enables Internal Audit to meet and maintain its independence and objectivity required by the Institute of Internal Auditors' (IIA) Professional Standards, and the non-conflicting standards of other supporting organizations (ISACA, ACFE, and AICPA). It also enables it to be the independent, objective assurance, and consulting function required by the standards. And, it can decrease the amount of time needed to obtain the same information in separate request to the business.
- The role of Internal Audit's access is also supported in applicable laws and regulations (i.e., the HIPAA Law of 1996, Sections 117S and 117T). Compliance with the privacy and security requirements of the laws and regulations pertaining to the access of Internal Audit and others is mandated by those entities, along with the Board of Commissioners.



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## Proposed Revised Audit Charter (Cont'd)

### Clarify Relationship Between The Internal Auditor and the General Manager:

- Internal Audit reports directly to the Board of Commissioners, but must successfully collaborate, establish, encourage, maintain, cultivate its on-going relationship with the General Manager, management, employees, and all other stakeholders at the BWL, and vice versa.
- The short and long-term success of the BWL is dependent upon this.

## Proposed Revised Audit Charter (Cont'd)

### Introduction of Proactive Audits Concept:

- Proactive audits is a mindset of approaching audits with the value set in mind.
- The concept is to emphasize the need for Internal Audit to be proactive, which is required in the standards (see the IIA standard below). This is something that the industry is and has been moving forward on. And, it's not a separate type of auditing per se.
- Using information analytics and other audit and analysis tools, in a non-traditional and non-conventional way, to proactively look for potential issues that could represent major risks to the BWL, and to communicate the results to management right away for their timely review and action is a very good program to implement.
- Our ACE Information Analytics tool can be used to look for and identify any potential errors or irregularities that may be present in information and data. And, ACE will add the characteristics of our data into its profile for analysis going-forward (artificial intelligence). This is forward-looking, preventative, and can be predictive.

### (IIA) Standard #2100 (Nature of Work)

- The internal audit activity must evaluate and contribute to the improvement of the organization's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact. IIA's International Professional Practices Framework (IPPF) - 2011 Edition



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## Proposed Revised Audit Charter (Cont'd)

### Action Items

**Importance:** BWL needs to be able to analyze and identify errors and/or irregularities that may be present in information and data, proactively to determine if they possibly pose potential, major risks that management needs to take action on right away to either eliminate or effectively mitigate. This may be unlikely in the execution of more traditional internal audit engagements, which tend to be reactive looking, selective, and capture past snapshots in time.

### Benefits and Value Adds of Proactive Audits:

- IA will be able to report errors and/or any irregularities found in information and data to management in a more timely fashion for management's review and action. This could help the BWL achieve cost savings and avoid disasters in the short and long-term.
- Examples include the analysis of SAP vendor, customer, and employee master file information, financial transactions (i.e., customer billings and cash receipts, vendor payments, etc.), comparison of all terminated employees and retirees with active user accounts in Active Directory (system access), and analysis of other types of information in other BWL information databases that may or may not be interfaced with SAP.
- Provides the foundations for continuous auditing and monitoring
- Creates additional opportunities for IA and management to work together in collaborative ways to help the BWL meet its short and long-term objectives, which helps to create, maintain, and increase stakeholder value.
- This helps Internal Audit to be more efficient and effective with executing its mission.



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- Proposed FY 2021 Audit Plan
- Proposed Revised Internal Audit Charter

We recommend the approval of both.

Commissioner Thomas asked whether an audit report was given at the last meeting. Mr. Lewis responded that a fixed assets report was provided. Mr. Lewis will forward a copy of the report to Commissioner Thomas.

Commissioner Merrill asked what audit standards of corporate governance the strategic plan and hotline were measured against. Mr. Lewis responded that policies and procedures would be compared with similar industries and a risk assessment would be conducted.

Chair Ross provided the following questions that will be addressed in the presentation of the Internal Audit Charter:

- Provide background in some specificity on the vendor management program
- The cybersecurity concerns allowing continued access to core data and in what ways the protection of that data is ensured
- What is proactive auditing and why is it needed at the BWL
- What changes are required by the audit profession
- What is required for the program to be immediately implemented and are there consequences if no changes are made to the program
- What activities have been implemented toward the program to date
- What policies and procedures are needed to implement the program
- What other utilities are currently using a similar program
- Whether there is a need for additional management resources for the program and what burdens might the program pose on the BWL organization

Chair Ross stated that the resolution to approve the changes to the Internal Audit Charter would be tabled until the next scheduled Finance Committee meeting after further discussion and reflection to determine whether this program feature is to be integrated into BWL's internal audit program.

## Internal Audit Charter and Resolution

Internal Auditor, Wesley Lewis, reviewed the proposed changes in the Internal Audit Charter., walking through the document page by page, and each suggested change in turn.



Chair Ross commented that the draft changes requested by the internal auditor center on three focal areas. The first is to clarify and reinforce that the internal audit department should have free access to data, books, and records in the organization. The second is to clarify the relationship between the internal auditor/department and the general manager/organization. The third is to create a platform to integrate proactive auditing into our audit program. Chair Ross asked about the standards for the internal audit and general manager relationship. Mr. Lewis responded that the standards indicate that the internal auditor is to report to the board of commissioners. Chair Ross inquired whether the issues about the perceived delays in receiving information and having access were centered around the new program not yet in operation or whether any delays in information requested were for audits outlined in the approved audit plan, and Mr. Lewis confirmed that delayed requests concern information sought for the proactive auditing program. Chair Ross stated that the purpose of the proactive auditing program was to make our internal audit process better and the decisions for the committee would be to determine whether the program will be effective and whether to implement the program.

Commissioner Zerkle asked for a definition of a proactive audit and how would the audits be performed differently. Mr. Lewis responded that using the analytics tool will improve the audit process by identifying potential errors or irregularities in information. Commissioner Ross inquired to Mr. Lewis whether if a proactive audit program started tomorrow, would there be a conduit between BWL and the third-party vendor retained and would encrypted data be transmitted to the vendor and processed through the program. Mr. Lewis affirmed but emphasized that the information is processed on an offline server—there would be no direct connection between BWL data systems and the vendor. Mr. Lewis added that the process would be transparent, and information would be reported immediately.

Commissioner Graham commented that it appeared that the program would be a good monitoring tool and make the auditing process smoother and more consistent.

Commissioner Merrill inquired about ACE Information Analytics monitoring data in the background 24/7 generating a flag for potential risks and whether the logarithm formula is specific to BWL or to a broader model. Mr. Lewis responded that data wouldn't be monitored 24/7 and it isn't specific to BWL, but the enhanced tool would cause work performed to be more timely.

Commissioner Mullen inquired whether all required standards are met by the company when the information is sent to the company and taken off line. Mr. Lewis responded that the standards are met and that the company has to go through four processes – vendor vetting process for purchasing, IT and internal audit; master service agreement (MSA) language; legal process; and cyber security process. Commissioner Mullen also asked if a process is in place with the company to ensure data privacy. Mr. Lewis responded that the company will be monitored based on the nondisclosure clause in BWL's MSA with the company.

Commissioner Ross asked if the company had gone through BWL's vendor management program and if it received the green light to go forward. Mr. Lewis responded that the vendor management program consists of the four processes and the company met the standards.

Commissioner Thomas asked for assurance of BWL data privacy in the cybersecurity process in the proposed program. Mr. Lewis responded that audits of cyber security process and IT vulnerability are in place to be conducted. Commissioner Thomas also asked why references to the General Manager was being removed from the internal audit charter. Mr. Lewis responded that it is to clarify the reporting structure which is

indicated in the IAA standards but not to change the interaction between internal audit, the General Manager and the management team.

Commissioner Price commented that a review of governance policies was performed and that the General Manager title was found to be inserted in places where fiduciary responsibility and authority didn't apply. Commissioner Price inquired whether the information under the Organization section was necessary in the charter as it appeared to be a job description and the charter should describe function. Mr. Lewis responded that it was provided for more clarity. Commissioner Lenz commented that qualifications for a BWL auditor should be included in order that audit requirements are safeguarded against any nefarious hiring.

Commissioner Ross asked whether the auditing method was considered continuous auditing. Mr. Lewis responded that there is continuous access to information but not 24/7 auditing of the information.

Commissioner Zerkle asked what the obligation of the audit was to the BWL if the audit program finds an error or discrepancy in the information. Mr. Lewis responded that free audit access to data information would be granted continuously rather than in a case by case scenario. Commissioner Ross commented that there is a need for proper input and advance approval by the Board including prioritization of audit areas, regular reporting updates, and reporting on any findings. and that the reporting of findings is incorporated into the risk rating in the c.

A discussion followed regarding extra verbiage in the charter being unnecessary. Commissioner Graham commented that total transparency is necessary and didn't have a problem with the extra verbiage. Commissioner Lenz suggested having General Counsel Mark Matus review the language.

Commissioner Mullen asked that if the current process is working what makes the new program better for the BWL. Mr. Lewis responded that maintaining compliance and standards, removing the risk that information could be filtered and having an artificial intelligence component is the reason for the new program even though the current program is effective.

Commissioner Jester asked whether proactive auditing could be pursuant to board approved audit topics. Mr. Lewis responded that the new program is to make allowances for unexpected events or changes that may arise. Commissioner Jester asked why three or four topics couldn't be placed in the audit plan. Mr. Lewis responded that some proactive audits are already be conducted – analysis of SAP vendor payments information and a retiree and terminated employees comparison to the active directory.

Commissioner Merrill commented that the term proactive is being defined as something new and different and suggested for clarity, that since every audit conducted should be proactive, changing the terminology to ad hoc. Mr. Lewis responded that proactive audits are required in the standards and there will be ad hoc audit requests.

Commissioner Ross proposed continuing the discussion at the next Finance Meeting and there was an agreeable consensus.

CFO Shawa made a clarification that the access requested is global access to production systems through SAP. When data is requested from IT, the business owner is asked to sign off the request and then a regular IT procedure is followed. CFO Shawa stated that a process on proactive auditing was researched in order to ensure that the process could be maintained and supported by senior leadership and internal control. CFO

Shawa wanted the Commissioners to understand that although the data is encrypted when sent out and when returned, it is on an offline server while it is at the third party and there are physical data breach opportunities. Additional security will be required with the offline server when all data is serviced in this manner.

Commissioner Zerkle asked whether there were concerns regarding customer or employee information. CFO Shawa responded that employee sensitive data or HIPAA data would need to be approved.

Commissioner Thomas asked whether negotiating is necessary with the bargaining unit regarding the audit changes. CFO Shawa responded that transparency is expected and that she wanted management to understand what the program and process of the proactive auditing would be like.

General Manager Peffley stated that he wants to see the Internal Audit Charter succeed and has no problem with 24/7 monitoring but would like the monitoring to be transparent and not secretive. GM Peffley commented that there was some concern among employees regarding the employee information that would be audited and the shoulders of employees being looked over, and that transparency in the audit requests is necessary. Commissioner Ross asked whether the audit risk basis, the approval process, the structure for reporting, and the opportunity for management feedback would be the same as current audits. GM Peffley responded that the process would be the same but the main concern of management was the looking over of their shoulders. Commissioner Ross also asked whether there was assurance that there would be definitive answers to data requests and the internal audit process. Commissioner Ross asked if a grid or visual could be developed that identified any management issues with the proactive audit proposal or the vendor so that the finance committee would know what needed to be addressed. GM Peffley responded that could be done and that an internal order would log every request to determine the amount of staffing that would be required for the demand.

**Motion** by Commissioner Price, Seconded by Commissioner Mullen to Table the Internal Audit Charter Resolution, delaying the vote and allowing for further discussion at a future Finance Committee Meeting.

**Motion Carried**

**Other**

None.

**Adjourn**

Commissioner Ross adjourned the meeting at 8:35 p.m.

Respectfully submitted  
Ken Ross, Chair  
Finance Committee

**HUMAN RESOURCES COMMITTEE SPECIAL MEETING MINUTES  
July 27, 2020**

Due to public safety concerns resulting from the COVID-19 Pandemic, the Human Resources Committee Meeting of the Lansing Board of Water and Light (BWL) was conducted via WebEx Conferencing in Lansing, MI, at 5:00 p.m. on Monday, July 27, 2020.

Chairperson Tracy Thomas called the meeting to order at 5:00 p.m.

Corporate Secretary Denise Griffin called the roll.

Present: Commissioners Tracy Thomas, Deshon Leek, Tony Mullen (arrived @5:04 p.m.), and Sandra Zerkle. Also present, Commissioners David Lenz, David Price (arrived @5:05p.m.), Ken Ross and Non-Voting Commissioner Larry Merrill (arrived@5:05 p.m.)

Absent: None

The Corporate Secretary declared a quorum.

**PUBLIC COMMENT**

None.

**MEETING PURPOSE:**

Closed Session (Attorney – Client Memorandum)....MCL 15.268 (h) & MCL 15.243 (g).  
Personnel Issue.

Chair Thomas stated that BWL General Counsel Mark Matus has provided the Human Resources Committee with an Attorney Client Privilege memorandum and he is present and available to discuss the contents of that memorandum with us.

**Motion** by Commissioner Zerkle, Seconded by Commissioner Leek 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 Tracy Thomas, Deshon Leek, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

*The Special Human Resources Committee Meeting went into closed session at 5:04 p.m.*

**Motion** by Commissioner Leek, Seconded by Commissioner Mullen, to return to open session.

Roll Call Vote:

**Yeas:** Commissioners Tracy Thomas, Deshon Leek, and Tony Mullen.

**Nays:** None.

**Action:** Motion Carried.

*The Special Human Resources Committee Meeting reconvened to open session at 6:03 p.m.*

**COMMISSIONERS' REMARKS/COMMENTS**

**None**

## **EXCUSED ABSENCE**

**Motion** by Commissioner Leek, Seconded by Commissioner Mullen, to excuse Commissioner Beth Graham from tonight's meeting.

Roll Call Vote:

**Yeas:** Commissioners Tracy Thomas, Deshon Leek, and Tony Mullen.

**Nays:** None.

**Action:** Motion Carried.

## **ADJOURNMENT**

**Motion** by Commissioner Leek, **Seconded** by Commissioner Mullen, to adjourn tonight's meeting.

Roll Call Vote:

**Yeas:** Commissioners Tracy Thomas, Deshon Leek, and Tony Mullen.

**Nays:** None.

**Action:** Motion Carried

Chair Thomas adjourned the meeting at 6:04 p.m.

Respectfully Submitted  
Tracy Thomas, Chair  
Human Resources Committee

## **MANAGER'S RECOMMENDATIONS**

None.

## **UNFINISHED BUSINESS**

There was no Unfinished Business.

## **NEW BUSINESS**

There was no New Business.

## **RESOLUTIONS/ACTION ITEMS**

### **RESOLUTION #2020-07-01**

#### **MOU Extending 2016 – 2020 Collective Bargaining Agreement between the Lansing Board of Water & Light and the International Brotherhood of Electrical Workers, AFL-CIO, Local 352**

WHEREAS, on October 31, 2016 the Lansing Board of Water & Light and the International Brotherhood of Electrical Workers, AFL-CIO, Local 352, the "Parties," executed a Collective Bargaining Agreement effective November 1, 2016 through October 31, 2020, the "2016-2020 Labor Agreement."

WHEREAS, having considered the unprecedented circumstances of the COVID-19 pandemic the Parties have agreed to extend, with two amendments, all provisions of the 2016-2020 Labor Agreement until midnight October 31, 2021;

RESOLVED, that the Board of Commissioners approve the 2020 Labor Agreement MOU extending the 2016-2020 Labor Agreement effective November 1, 2020 through October 31, 2021 and authorize the General Manager to execute same.

**Motion** by Commissioner Mullen, **Seconded** by Commissioner Thomas, to approve the 2020 Labor Agreement MOU extending the 2016-2020 Labor Agreement effective November 1, 2020 through October 31, 2021, and authorize the General Manager to execute same.

**Roll Call Vote:**

**Yeas:** Commissioners Deshon Leek, David Lenz, Tony Mullen, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

**RESOLUTION #2020-07-02**

**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 fiscal year 2020-2021 or until a successor is appointed, whichever last occurs:

M. Denise Griffin, Corporate Secretary

**FURTHER RESOLVED**, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2020's performance.

**Motion** by Commissioner Price, **Seconded** by Commissioner Zerkle, to approve the reappointment of the Corporate Secretary for Fiscal Year 2020-2021.

**Roll Call Vote:**

**Yeas:** Commissioners Deshon Leek, David Lenz, Tony Mullen, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

**RESOLUTION #2020-07-03**

**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 for fiscal year 2020-2021 or until a successor is appointed, whichever last occurs:

Richard R. Peffley, Director and General Manager

**FURTHER RESOLVED**, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2020's performance.

**Motion** by Commissioner Thomas, Seconded by Commissioner Mullen, to approve the reappointment of the Director and General Manager for Fiscal Year 2020-2021.

**Roll Call Vote:**

**Yeas:** Commissioners Deshon Leek, David Lenz, Tony Mullen, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle.

**Nays:** None.

**Action:** Motion Carried.

**RESOLUTION #2020-07-04**

**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 for fiscal year 2020-2021 or until a successor is appointed, whichever last occurs.

Wesley Lewis, Internal Auditor

**FURTHER RESOLVED**, That the Chair of the Board of Commissioners is authorized to execute any and all contractual amendment documents which reflect merit adjustments recommended by the Human Resources Committee for FY 2020's performance.

**Motion** by Commissioner Lenz, Seconded by Commissioner Leek, to approve the reappointment of the Internal Auditor for Fiscal Year 2020-2021.

**Roll Call Vote:**

**Yeas:** Commissioners Deshon Leek, David Lenz, David Price, Ken Ross, Tracy Thomas, and Sandra Zerkle.

**Nays:** Commissioner Tony Mullen

**Action:** Motion Carried.

**MANAGER'S REMARKS**

General Manager Peffley presented the following information:

1. The State of BWL address was recorded Tuesday, July 28, 2020 and will be available for viewing on Wednesday, July 29, 2020.
2. The BWL can now communicate with customers in 250 languages through the call center.

3. BWL reached out to employees to contribute to Pennies for Power and more than \$10,000 was collected. BWL employee, Chris Maclennan, collected more than \$800 in cans and contributions of cans and donated the amount to Pennies for Power.

### **COMMISSIONERS' REMARKS**

Commissioner Thomas commended the HR Committee on the preparation for the reappointment of the three employees.

Commissioner Ross expressed his wish for a detailed presentation of the IRP in a future meeting and that it is important to discuss, ask questions and make suggestions on what the strategic plan should be. Chair Price stated he agreed even though the Board doesn't act on the IRP.

Commissioner Zerkle thanked GM Peffley and the staff for the Pennies for Power donation as she has heard commendations from the community.

### **MOTION OF EXCUSED ABSENCE**

**Motion** by Commissioner Thomas, **Seconded** by Commissioner Ross to excuse Commissioner Beth Graham from tonight's meeting.

**Action:** Motion Carried.

### **PUBLIC COMMENTS**

None.

### **ADJOURNMENT**

Chair Price adjourned the meeting at 6:06 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk: 8-7-2020

Official Minutes filed (electronically) with Lansing City Clerk 9-23-20