



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
COMMITTEE OF THE WHOLE MEETING
January 10, 2023 – 5:30 P.M.
REO Town Depot - Board of Water & Light Headquarters
1201 S. Washington Ave., Lansing, MI 48910**

BWL full meeting packets and public notices/agendas are located on the official web site at <https://www.lbwl.com/about-bwl/governance>.

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

- 1. Committee of the Whole Meeting Minutes of November 8, 2022 **TAB 1**
- 2. Energy Risk Management..... **TAB 2**
- 3. Security Threat Assessment
 - Closed Session (Attorney-Client Information/Communication) ...MCL 15.268 (h) & MCL 15.243 (g). **CLOSED SESSION**

Other

- a. Environmental Questions..... **TAB 3**

Adjourn

COMMITTEE OF THE WHOLE
Meeting Minutes
November 8, 2022

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, on Tuesday, November 8, 2022.

Committee of the Whole Chairperson Sandra Zerkle called the meeting to order at 5:30 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Sandra Zerkle, Dusty Horwitt, Semone James, DeShon Leek, Tony Mullen, David Price, and Tracy Thomas; and Non-Voting Members: Douglas Jester (East Lansing), and Larry Merrill (Delta Township)

Absent: Commissioner Beth Graham and Non-Voting Commissioner Maggie Sanders (Lansing Township)

The Corporate Secretary declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner Thomas, **Seconded** by Commissioner Mullen, to approve the Committee of the Whole meeting minutes of September 13, 2022.

Commissioner James stated that her name wasn't listed in the Roll Call Vote in the Committee of the Whole minutes. Commissioner James added Commissioner Price wasn't included in the excused absence motion.

Commissioner Horwitt requested that environmental be included in the Response to Public Questions in the minutes.

Commissioner Merrill stated that his name was included in the Yea votes in the Roll Call Vote for the Response to Public Questions.

The minutes will be corrected as indicated.

Action: Motion Carried.

Regular Board Meeting Schedule 2023 Resolution

Chairperson Zerkle requested the Committee approve the 2023 Regular Board Meeting Schedule.

Motion by Commissioner Horwitt, **Seconded by** Commissioner Price, to approve the Regular Board Meeting Schedule 2023 Resolution and forward it to the full Board for consideration.

Action: Motion Carried.

City of Lansing Lien Ordinance

General Counsel Mark Matus stated that the Lansing City Charter authorizes the LBWL to impose a lien against a property for unpaid utilities, but a previous request has never been made for the City of Lansing to pass an ordinance. A lien against a property with BWL utility service is a sound collection technique and collection can be made when the property is sold. LBWL Associate Attorney Yolanda Bennett presented the Lien Ordinance for Collection of Unpaid Utility Bills to the Committee of the Whole. The Lien Ordinance is being requested to reduce uncollected utility bills bad debt, starting with Commercial and Industrial properties. Public Notice will be published in a local newspaper, final notice will be sent to the property owner and will become a lien on the property if the bill remains unpaid.

Commissioner Mullen asked what recourse is needed to get the lien ordinance accomplished if the City doesn't approve the ordinance. Ms. Bennett responded that there is no recourse, but other jurisdictions have similar ordinances and there is case law that upholds the collection of unpaid charges by lien ordinances.

The Commissioners commented and discussed the effectiveness of the placement of a lien on the property, legal authorities, the cost of placing a lien on a property, and what amount owed would cause a lien to be placed on the property. Ms. Bennett responded that an amount has not been set but is being considered for larger accounts. Ms. Bennett also responded there would be no extra cost in having a lien ordinance but will follow up with finding whether there will be extra cost with enforcing the ordinance. General Manager (GM) Peffley responded that he will follow up with guidelines and procedures for the amount to set for a lien to be placed on a property.

Motion by Commissioner Price, **Seconded** by Commissioner James for the Lansing Board of Water & Light to make a request to the City Council to draft the Lien Ordinance to allow LBWL to place liens on property.

Action: Motion Carried.

Mr. Matus and Ms. Bennett will draft a resolution for the Lien Ordinance to present to the City of Lansing for the full Board to approve at the next Board meeting.

All-Source RFP (Request for Proposal)

GM Peffley gave a brief update on the All-Source Request for Proposal which is the next step in bringing customers clean and affordable energy. Projected proposals are to be received by January 13, 2023 with a target to bring new energy online by June 1, 2025. The evaluation of the proposals will be based on economics, risk of completing the project in a timely manner, and BWL's strategic alignment. More than 50 proposals have been received.

Other

GM Peffley gave a brief update on the recent power outage that affected 13,000 customers.

Commissioner James spoke with Julie Pioch at MSU Extension regarding training for Commissioners on the Robert's Rules of Order. The Corporate Secretary will send an email to the Commissioners for training availability in January.

Motion by Commissioner James, **Seconded by** Commissioner Horwitt, to excuse Commissioners Beth Graham and Maggie Sanders from tonight's meeting.

Action: Motion Carried.

Adjourn

Chairperson Zerkle adjourned the meeting at 6:31 p.m.

Respectfully Submitted
Sandra Zerkle, Chairperson
Committee of the Whole

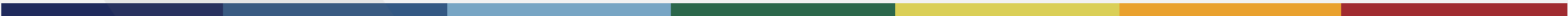


Lansing Board of Water and Light

StoneX Financial Inc.

FCM Division

January 2023



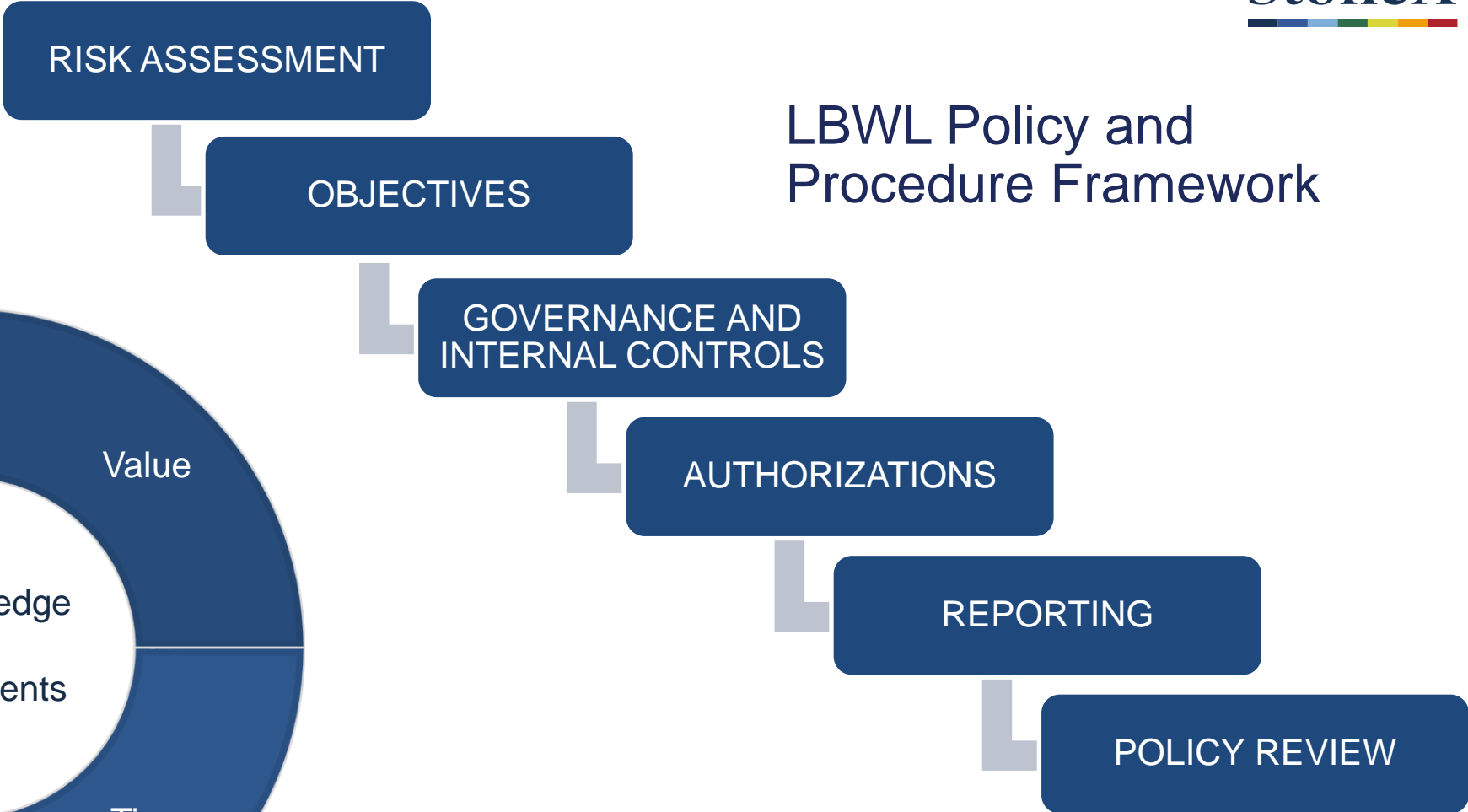
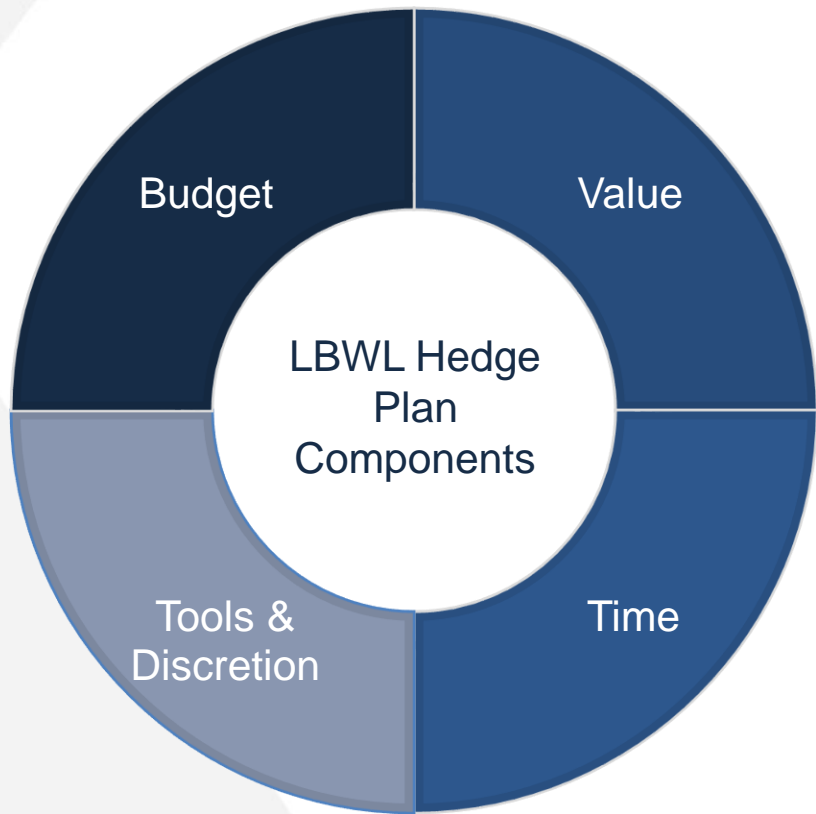
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Set Triggers Starting at 50th Decile for Further Out Years

BWL increased the decile levels in the historical price matrix that trigger execution for the further out years (set the 50th decile as the trigger vs a lower decile level such as the 40th or 30th as previously set in the plan).

Additionally, given discretionary authorizations the ROC may exercise, this committee can consider accelerating the 2027 volumes to purchase at the 50th decile to 10% or 15% - if the 50th decile is hit.

HH NG	Historical Value Targets					
	50th Decile	40th Decile	30th Decile	20th Decile	10th Decile	Max Hedge Percent
2023	25%	25%	15%	15%		80%
2024	20%	20%	10%	10%		60%
2025	15%	15%	15%			45%
2026	10%	10%	10%	10%		30%
2027	5%	5%	5%	5%	5%	15%

 Shifted coverage targets to higher deciles

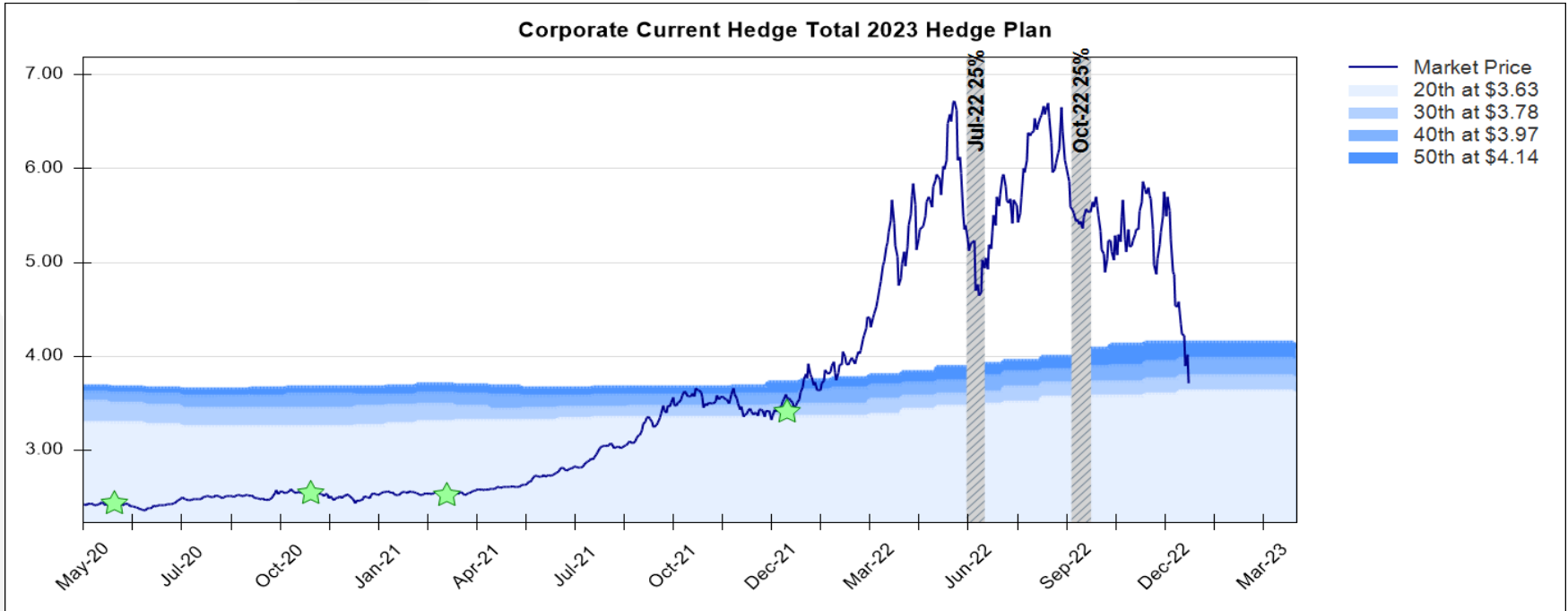
Hedging Plan and Current Coverage



HEDGE PLAN TARGETS

HH NG	Historical Value Targets						Time Targets		
	50th Decile	40th Decile	30th Decile	20th Decile	Current Hedge Percent	Max Hedge Percent	1 st Time Target	2 nd Time Target	Max Hedge Percent
2023	25%	25%	15%	15%	75%	80%	07/01/22 25%	10/01/22 25%	50%
2024	20%	20%	10%	10%	59%	60%	07/01/23 25%	10/01/23 25%	50%
2025	15%	15%	15%		39%	45%	07/01/24 25%	10/01/24 11% of 25% open	50%
2026	10%	10%	10%		20%	30%	07/01/25 5% of 25% open	10/01/25 25%	50%
2027	5%	5%	5%		0%	15%	07/01/26 25%	10/01/26 25%	50%

Hedge Plan 2023

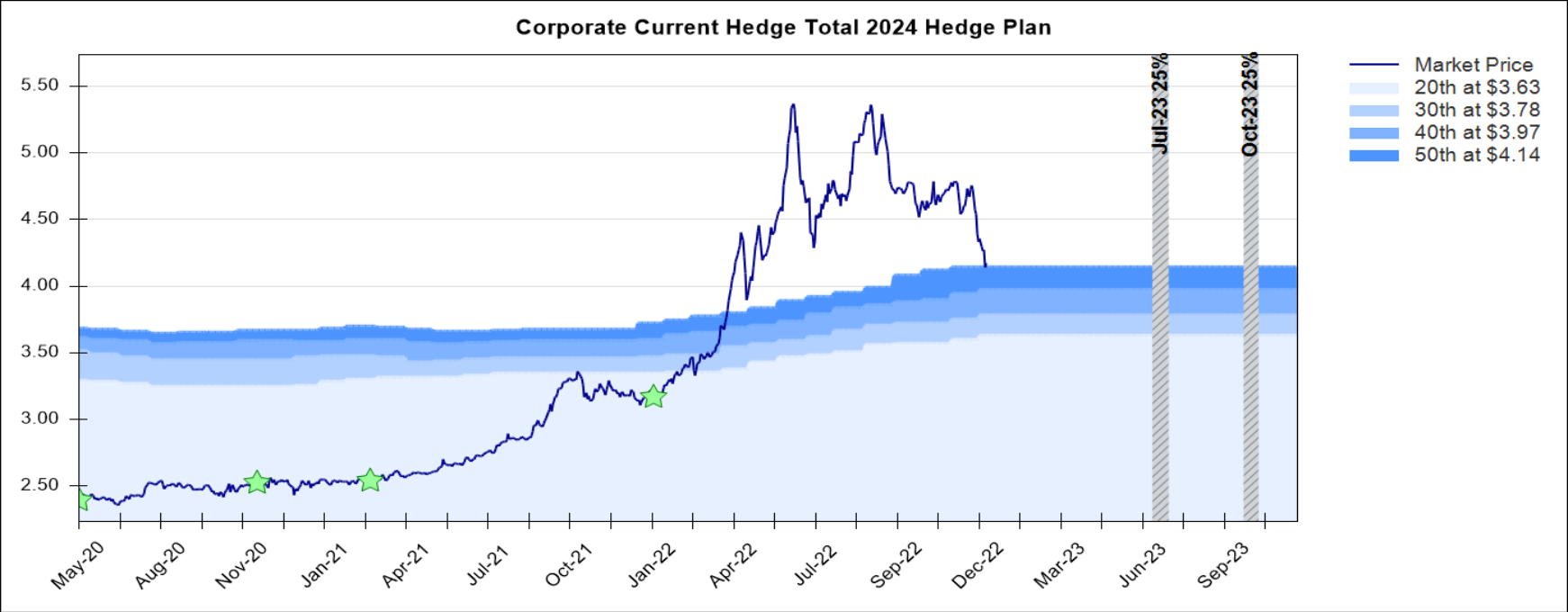


Value and Time Targets

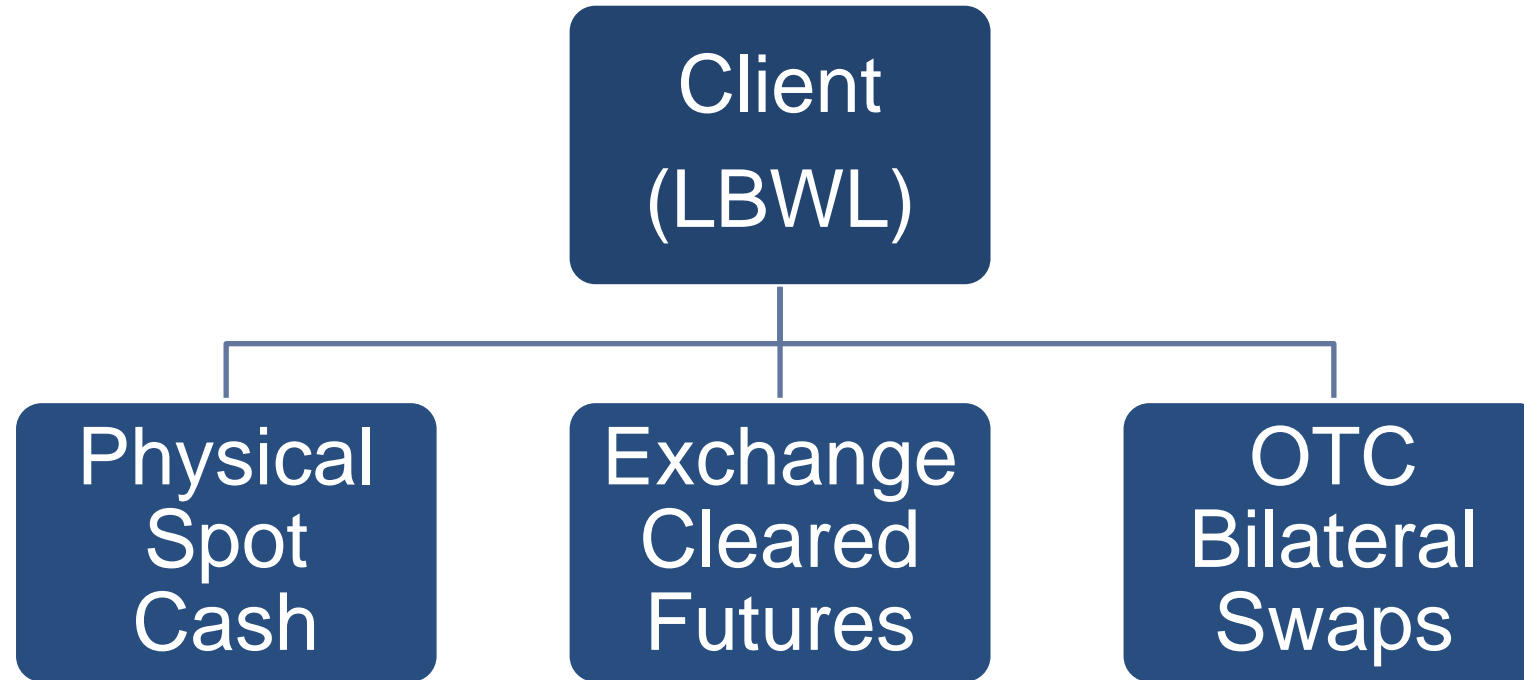
LBWL MTM Report	
As of MTM Date: 1/5/22	
2023	\$7,622,774
2024	\$9,939,344
2025	\$7,588,657
2026	\$3,691,227
Total MTM	\$28,842,002

HH NG	Historical Value Targets						Time Targets		
	50th Decile	40th Decile	30th Decile	20th Decile	10th Decile	% Secured vs % Trigger of Max	1 st Time Target	2 nd Time Target	Hedge %
2023	20% of 25%	25%	15%	15%		75% of 80% max	07/01/23 25% Value Applied	10/01/23 25% Value Applied	50%
Open %	5%					5% OPEN	N/A	N/A	

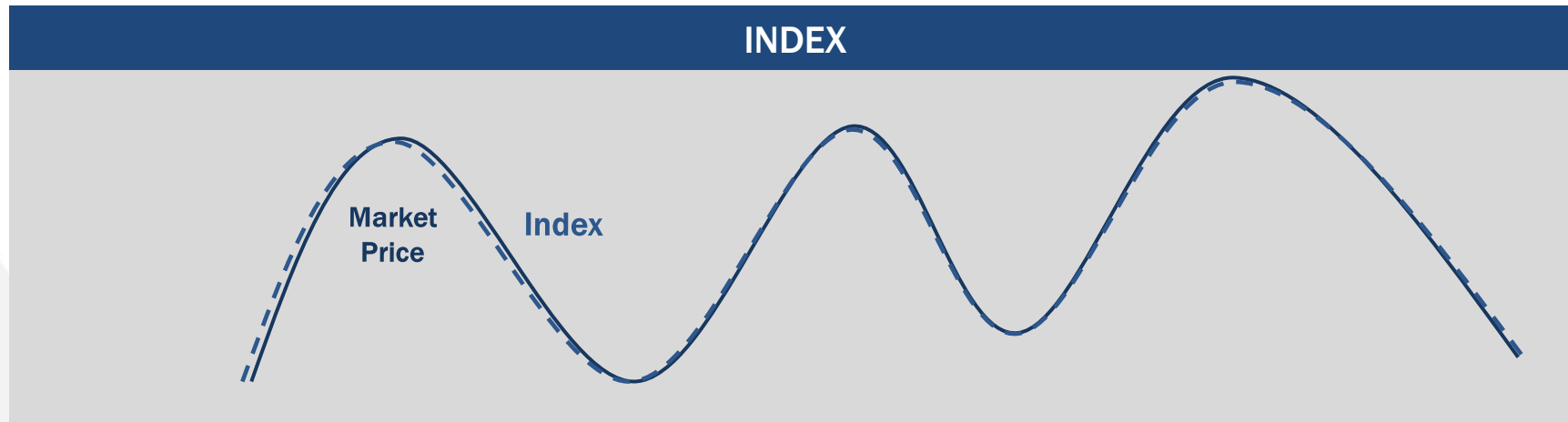
Hedge Plan 2024



HH NG	Historical Value Targets					% Secured vs % Trigger of Max	Time Targets		
	50th Decile	40th Decile	30th Decile	20th Decile	10th Decile		1st Time Target	2nd Time Target	Hedge %
2024	4% of 25%	25%	15%	15%		59% of 80% max	07/01/23 25% Value Applied	10/01/23 25% Value Applied	50%
Open %	21%					21% OPEN	N/A	N/A	

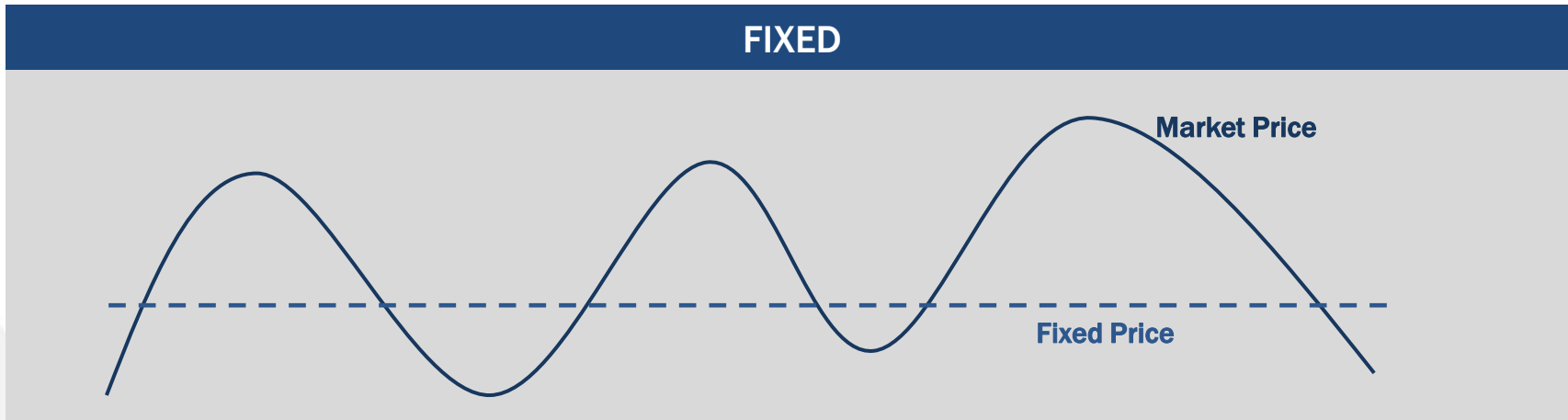


- The buyer or seller will fix the price at a monthly/daily index based on a posted cash price or NYMEX/ICE price
- Currently the commonly used pricing mechanism
- A viable pricing tool for energy purchases when prices are at extremely high levels or energy sales when prices are at extremely low levels
- Rationale behind index pricing is to avoid fixed pricing that results in a loss



Fixed Pricing

- A company will fix prices for multiple months or years
- Short-term contracts are attractive when a company wants to lock in prices during volatile price periods
- A long-term fixed contract is attractive when prices are at extremely low levels that are not expected to hold for a long period of time



Cap Pricing

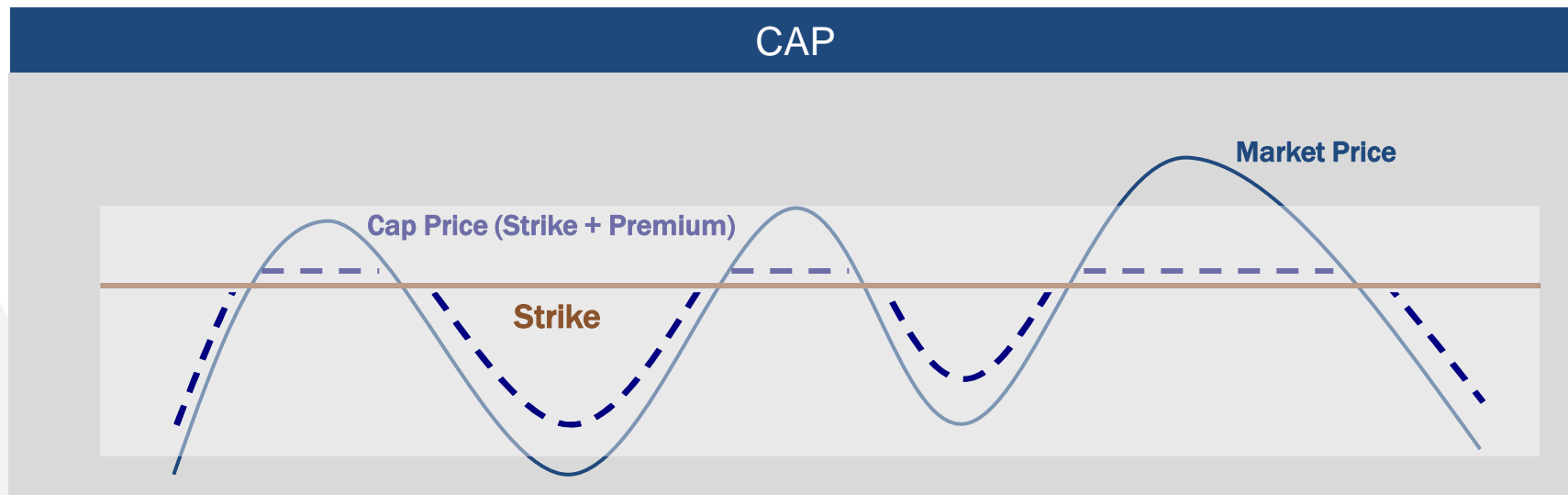
Buying a call option

Gives the buyer the option of purchasing energy at a predetermined maximum strike level without the obligation of buying at that level.

The buyer pays a premium similar to an insurance payment.

If the market prices....

- rise above the high price strike, the buyer is protected at that price
- remain lower than the high price strike, the buyer accepts the lower price



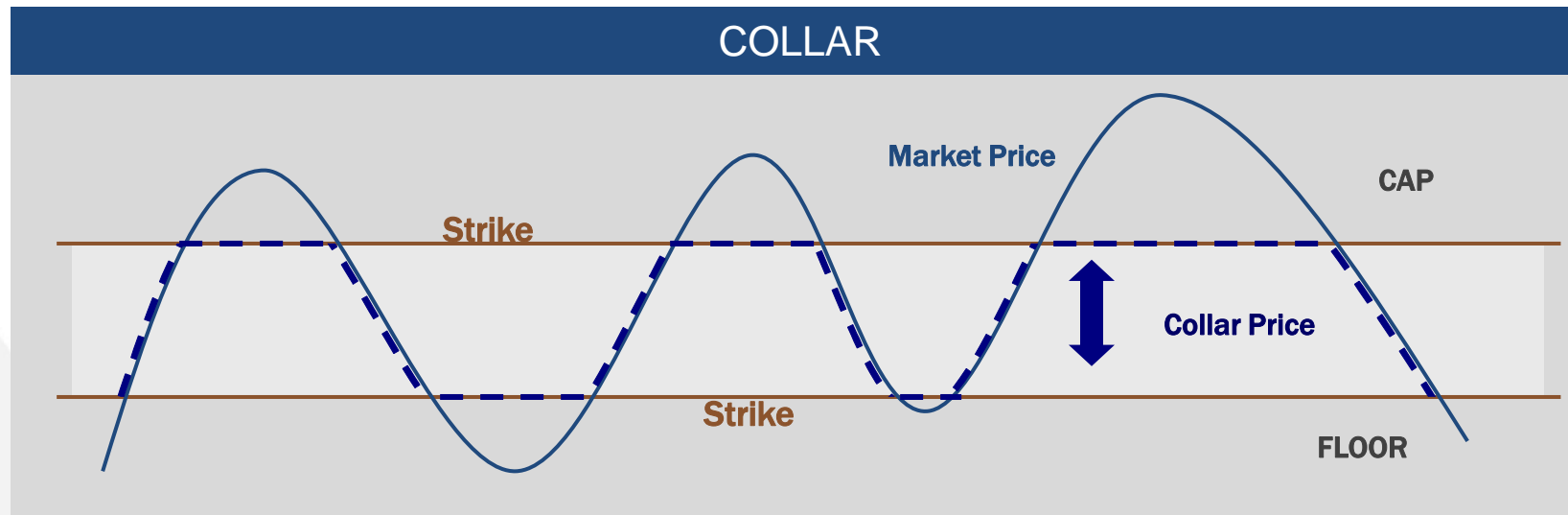
Collar Pricing

A Collar Buying a call and selling a put

Gives the buyer an obligation and an option at the outer range of two prices

If the market prices....

- rise above the high price strike, the buyer is protected at that price.
- fall through the low price, the buyer accepts the lower price.
- fall between the high and low price so that neither party exercises its options, the buyer purchases energy at the market price.



Environmental Questions
from Ms. Heather Douglas, Associate Professor,
Department of Philosophy, Michigan State University
for Committee of the Whole Meeting January 10, 2023

- 1) How is LBWL planning on using its decommissioned coal plant sites, given their excellent grid connectivity? Are there plans to use the sites for renewable energy generation and/or short term battery storage?

Response: The substation and switchyard at Eckert Station are still in operation and will be for some time but there are currently no plans for adding new generation at the site. Erickson Station has a good deal more space for development than the Eckert site and an the BWL's All-Sources Request for Proposals, [2023 All-Source RFP for Capacity & Energy | lbwl.com](#), could yield some renewable and battery storage proposals for the site.

- 2) How is LBWL planning on taking advantage of the provisions of the Inflation Reduction Act (IRA), passed this fall?

Response: The IRA makes federal energy tax incentives available for the first time to municipal power companies like the BWL and we are exploring how to best take advantage of this new opportunity.