



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

September 28, 2021

The Board of Commissioners met at the Lansing Board of Water and Light (BWL) Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, September 28, 2021.

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

Chair Price welcomed Non-Voting Commissioner Brian Ross representing DeWitt Township.

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

Present: Commissioners David Price, Semone James, DeShon Leek, Tony Mullen, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Douglas Jester (East Lansing), Larry Merrill (Delta Township), and Brian Ross (DeWitt Township)

Absent: Commissioner Beth Graham

Corporate Secretary Griffin declared a quorum.

Commissioner Leek led the Pledge of Allegiance.

APPROVAL OF MINUTES

Motion by Commissioner Mullen, **Seconded** by Commissioner Leek, to approve the Regular Board Meeting minutes of July 27, 2021.

Action: Motion Carried.

PUBLIC COMMENTS ON AGENDA ITEMS

There were no public comments on agenda items.

COMMUNICATIONS

Electronic mail received from Kyla Holmes regarding tree removal - *Referred to Management. Received and Placed on File*

Electronic mail received from Kathi Raffone regarding an overgrown field - *Referred to Management. Received and Placed on File*

Electronic mail received from Ashlee Barker regarding tree trimming in the Moores Park Neighborhood - *Referred to Management. Received and Placed on File*

Electronic mail received from Pauline Thomas regarding a water bill discrepancy - *Referred to Management. Received and Placed on File*

Late Item Electronic mail received from Danielle Crane, Bryan Taylor and Tina Olson regarding tree trimming and the Moores Park Neighborhood Association - *Referred to Management. Received and Placed on File*

Late Item Electronic mail received from Bryan Taylor and Tina Olson regarding balancing community needs and protecting power lines - *Referred to Management. Received and Placed on File*

COMMITTEE REPORTS

Commissioner Sandra Zerkle presented the Committee of the Whole Report:

COMMITTEE OF THE WHOLE Meeting Minutes September 14, 2021

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, September 14, 2021.

Committee of the Whole Chair 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, Beth Graham, DeShon Leek, Tony Mullen, and Tracy Thomas, and Non-Voting Members: Douglas Jester (East Lansing), Larry Merrill (Delta Township) and Brian Ross (DeWitt Township)

Absent: Commissioners Semone James and David Price

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Graham, **Seconded** by Commissioner Mullen, to approve the Committee of the Whole meeting minutes of May 11, 2021.

Action: Motion Carried.

IT and Security Update

Chief Information Officer, Rod Davenport, presented the IT and Security Update. Mr. Davenport presented information on the focus areas in the Information Technology Department (ITD)—infrastructure, business value, IT projects and cybersecurity. Information provided from infrastructure included network optimization and hardware lifecycle management; information from business value included the role of the Business Relationship Manager (BRM) of identifying, delivering and measuring IT's business value; information from IT projects included FY 20 projects completed and projects on deck; information from cybersecurity included cyber resources additions and the internal cyber audit conducted by BDO Audit & Assurance. Mr. Davenport reported that ITD's strategic focus for FY22 would be on asset lifecycle management, business alignment, enhanced resource planning and projections, and achieving the target of a 3.5 Cyber Maturity score by the end of the current strategic planning cycle.

Commissioner Mullen asked if the IT audit presented was the same audit in the document the Commissioners were sent. Mr. Davenport affirmed.

North American Electric Reliability Corporation (NERC) Compliance Update

Ms. Caitlin Chavez, BWL's NERC Compliance Supervisor, presented the NERC Compliance update. Ms. Chavez stated that there is a total of 83 NERC standards that encompass 14 categories, with one new standard and nine revised standards that have been approved and will be enforceable. Ms. Chavez gave a history of how mandatory compliance requirements developed through the Federal Energy Regulatory Commission (FERC), who approves policies and standards; the Energy Reliability Organization (ERO), NERC, who drafts policies and standards; and the Regional Entity, Reliability First, who oversees BWL's compliance with policies and standards. BWL also works with Midcontinent Independent System Operators (MISO) for compliance obligations in real time and for future planning.

GM Peffley commented that there are several variables that can cause a variance which are brought to him and commended the compliance department on the quality and efficiency of the work they do. *(PowerPoint available online in meeting packet)*

Energy Waste Reduction (EWR) & Renewable Energy Update

Environmental Services and Reliability Compliance Manager, Lori Myott, provided the Committee with an update on BWL's Energy Waste Reduction (EWR) Program. Ms. Myott reported that several programs were halted during the COVID-19 pandemic but BWL still exceeded its 2020 savings goal. Ms. Myott presented residential program highlights and gave an overview of business programs and upgrades. Ms. Myott also reported that BWL met the state's 12.5% renewable energy portfolio mandate, its own 30% clean energy by 2020 goal and is complying, with all aspects of PA342. *(PowerPoint available online in meeting packet)*

Commissioner Jester commented on the energy efficiency program and stated that, we or the BWL, should offer similar incentives for replacing an air conditioner (AC) with a heat pump as we do for replacing AC's with more efficient AC's. GM Peffley responded that the credit is for customers to whom BWL has reached out, who have new heat pumps installed which use less natural gas.

COW Chair Zerkle inquired about the program(s) delays and their reinstatements. In response to COW Chair Zerkle's inquiry, Ms. Myott stated that limited contact appointments were made with customers and that most of the programs were only delayed about four months.

PUBLIC ACT (PA) 152 Health Care Premium Sharing Resolution

Human Resources Executive Director, Lynnette Keller, presented two topics regarding the PA 152 Health Care Premium Sharing, options for employer caps on healthcare costs and affordability requirements of the act. Ms. Keller reported that the BWL no longer needs to opt out of Michigan's 2011 Public Act 152, however a resolution needs to be adopted or approved annually for the 80%/20% employer/employee health care cost option as set forth in PA 152. Ms. Keller reported that in the ACT affordability provisions for January 1, 2022 stipulates health insurance premiums cannot exceed 9.61% of employees' income and entities must add Opt Out/Waiver pay in the affordability calculations. Ms. Keller respectfully requested that the Committee forward the annually required resolution to the full Board for consideration.

Motion by Commissioner Mullen, Seconded by Commissioner Graham, to forward the PA 152 Health Care Premium Sharing Resolution to the full board for consideration.

Action: Motion Carried

Other

Motion by Commissioner Graham, Seconded by Commissioner Mullen, to excuse Commissioners Simone James and David Price from tonight's meeting.

Action: Motion Carried

Adjourn

Chair Zerkle adjourned the meeting at 6:24 p.m.

Respectfully Submitted
Sandra Zerkle, Chair
Committee of the Whole

Commissioner Tony Mullen presented the Finance Committee Report:

**FINANCE COMMITTEE
Meeting Minutes
September 14, 2021**

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI on Tuesday, September 14, 2021.

Finance Committee Chair Tony Mullen called the meeting to order at 6:31 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Tony Mullen, Beth Graham, and Sandra Zerkle. Also present: Non-Voting Commissioners Douglas Jester (East Lansing), Larry Merrill (Delta Township) and Brian Ross (DeWitt Township).

Absent: Commissioner Simone James

The Corporate Secretary declared a quorum.

Public Comments

None.

Approval of Minutes

Motion by Commissioner Zerkle, **Seconded** by Commissioner Graham, to approve the Finance Committee meeting minutes of July 13, 2021.

Action: Motion Carried.

Baker Tilly External Audit Report and Resolution

Chief Financial Officer (CFO) Heather Shawa provided background information on the annual external audit report. Ms. Shawa introduced external auditor Aaron Worthman, Partner and CPA at Baker Tilly Virchow Krause, LLP. Mr. Worthman presented and highlighted the external audit report which included an audit overview, management's responsibilities, the audit approach and results, accounting changes relevant to BWL, and trending challenges and opportunities. BWL received an unmodified or clean opinion which is the highest level of assurance provided. Mr. Worthman stated that 30% of the audit process was internal controls, 40% was substantive testing and 30% was reviewing financial reports. Internal controls include disbursements, payroll, billing and information technology while substantive testing consists of reviewing cash and investments and fixed asset purchases. Mr. Worthman reported that there were no deficiencies in internal controls.

Mr. Worthman noted from the financial statements the income available for revenue bond debt retirement was \$52.7 million for 2021 and was a significant increase from \$29.7 million in 2020. Mr. Worthman also noted that operating revenues increased by \$15.9 million or 6% and was mainly due to increased rates in 2020. Operating expenses decreased \$18.3 million or 5.7% which was mostly due to decreased administrative expenses in health care and positive investment performance. Mr. Worthman also reported that there was a substantial increase in debt services due to capitalized interest payments on the last borrowings and this will level off in 2023.

Chair Zerkle asked if the COVID-19 pandemic was the reason for the greatest part of the increase in water and electric revenues. Mr. Worthman responded that the rate increase for 2020 was the reason for the increase in revenues. GM Peffley added there was an increase in residential electricity and water use due to employees working from home and it wasn't offset by a decrease in commercial consumption.

Mr. Worthman reported that the disclosures in the financial statements are neutral, consistent and clear. He stated that, when reviewing the financial statements and financial plans, assets and projected outcomes are an assumed value and the audit determines whether these are reasonable assumptions.

Chair Mullen commented that there were bound presentations of the audit on the side table for all of the Commissioners and thanked the CFO and Finance Department for their work on the audit.

Commissioner Merrill inquired about net fund assets with no allocation and whether there were any benchmarks or standards for balancing prudence and what customers are charged. Mr. Worthman responded that the Government Finance Officers Association (GFOA) website provides information on benchmarking and what should be reviewed. The information isn't specific to utilities but to governmental entities. CFO Shawa responded that recommendations are being reviewed and that information placed

on the Financial Dashboard is benchmarked. Commissioner Merrill asked if information from other public utilities was compared for an industry standard. GM Peffley responded that information from all public utilities is reviewed for competitiveness through information obtained through American Public Power Association (APPA).

Motion by Commissioner Zerkle, **Seconded** by Commissioner Graham, to forward to the Board Meeting the Acceptance of the Resolution for the 2021 Audited Financial Statements.

Action: Motion Carried.

Advanced Distribution Management System (ADMS) Capital Project Exceedance Policy and Resolution

CFO Shawa stated that the ADMS project is part of the BSmart program and is the replacement of the prior Outage Management System (OMS). Phase I was fully implemented and Phase II is the energy side of it. Additional approved scope is 50% of the ADMS project exceedance request and the other 50% is internal and outside labor and additional hardware purchases. GM Peffley responded that the regulations changed after the project was started and has been included in the exceedance request. CFO Shawa requested approval of the exceedance in order to complete the project.

Motion by Commissioner Graham, **Seconded** by Commissioner Zerkle, to forward to the Board Meeting the Advanced Distribution Management System Capital Project Exceedance Policy Resolution.

Action: Motion Carried.

July YTD Financial Summary

Finance Manager, Scott Taylor gave a review of the July 2021 Year-to-date Financial Summary. Mr. Taylor reported the following: revenues were budgeted at \$32 million and it is at \$31 million; operating expenditures were budgeted at \$26 million and \$23 million was spent; Net Income was budgeted just above \$ million and it is now a little under \$8 million. Mr. Taylor noted that as July and August are typically slower months financial factors are typically under budget.

Update on Federal Infrastructure Plan

GM Peffley reported that in response to Commissioners' request about funding from the government and will provide an update on water at the Regular Board meeting. Grants are requested through the city as the opportunities are available. CFO Shawa gave an update on the Federal infrastructure plan. The Federal infrastructure plan is being monitored as it is awaiting being passed. Clean drinking water, electric vehicles infrastructure, distribution planning and energy efficiency, and cybersecurity efforts are items of interest for BWL.

Chair Mullen inquired whether the funding that is being requested is in addition to what BWL would spend or is it in place of what would be spent. Commissioner Zerkle responded that it would be extra money to start a project that has been budgeted. GM Peffley added that the funding requested would be in addition in order that a project could be completed sooner.

Commissioner Zerkle commended the BWL program that assisted with the Financial Pandemic Relief Fair. GM Peffley responded that BWL shuts off less customers' utilities than any other utility in the state. GM Peffley added that there was increase of unpaid bills from \$1 million to \$11 million during the pandemic

and that there was \$30 million of financial assistance available to pay past due bills. BWL hopes that at least \$5.5 million of the unpaid bills will be paid through the financial assistance available.

Other

Motion by Commissioner Zerkle, Seconded by Commissioner Graham, to excuse Commissioner Simone James from tonight's meeting.

Action: Motion Carried

Adjourn

Chair Tony Mullen adjourned the meeting at 7:16 p.m.

Respectfully submitted
Tony Mullen, Chair
Finance Committee

MANAGER'S RECOMMENDATIONS

There were no Manager's Recommendations.

UNFINISHED BUSINESS

There was no unfinished business.

NEW BUSINESS

There was no new business.

RESOLUTIONS

RESOLUTION 2021-09-01
PA 152 Health Care Premium Sharing

WHEREAS, Governor Rick Snyder, on September 27, 2011, signed legislation known as the "Public Funded Health Insurance Contribution Act", Public Act 152 of 2011 (the "Act") limiting the amount public employers may pay for government employee medical benefits, and;

WHEREAS, the Act took effect January 1, 2012 and applies to all public employers including the Lansing Board of Water & Light, and;

WHEREAS, the Act contains three options for complying with the requirements of the Act;

WHEREAS, the three options are as follows:

- 1) Section 3 - "Hard Caps" Option - limits a public employer's total annual health care costs for employees based on coverage levels, as defined in the Act;

- 2) Section 4 - "80%/20%" Option - limits a public employer's share of total annual health care costs to not more than 80%. This option requires an annual majority vote of the governing body;
- 3) Section 8 - "Exemption" Option - a local unit of government, as defined in the Act, may exempt itself from the requirements of the Act by an annual 2/3 vote of the governing body;

WHEREAS, the Board of Commissioners desires to maintain premium sharing at 20% for all active employees for medical benefits effective January 1, 2022 through December 31,2022;

RESOLVE that the Board of Commissioners by a majority vote has decided to adopt the 80%/20% option as its choice of compliance under the Act;

NOW, THEREFORE, BE IT RESOLVED the Board of Commissioners of the Lansing Board of Water & Light elects to comply with the requirements of 2011 Public Act 152, the Publicly Funded Health Insurance Contribution Act, by adopting the 80%/20% option for the medical benefit plan coverage year January 1, 2022 through December 31,2022.

Motion by Chair Price, **Seconded** by Commissioner Mullen, to approve the Resolution for the PA 152 Health Care Premium Sharing.

Action: Motion Carried.

RESOLUTION 2021-09-02
Fiscal Year 2021 Audited Financial Statements
of the Enterprise Fund and Pension Fiduciary Funds

RESOLVED, that the fiscal year 2021 Audited Financial Statements of the Board of Water and Light have been reviewed and are hereby accepted as presented.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2021 Audited Financial Statements of the Board of Water and Light and the report on auditing procedures with the State Treasurer as required by the Uniform Budgeting and Accounting Act (Public Act 2 of 1968, as amended) no later than December 31, 2021.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2021 Audited Financial Statements of the Board of Water and Light with the City of Lansing no later than October 2021.

Motion by Commissioner Mullen, **Seconded** by Commissioner Leek, to approve the Resolution for the Fiscal Year 2021 Audited Financial Statements of the Enterprise Fund and Pension Fiduciary Funds.

Action: Motion Carried.

RESOLUTION 2021-09-03

Capital Project Exceedance:PG-40025 Advanced Distribution Management System

WHEREAS, Lansing Board of Water & Light's (BWL) Policy F1-13, previously known as Policy #15-02, entitled Capital Project Exceedance Approval requires BWL Board of Commissioners approval for specific capital projects that are expected to exceed their previously approved designed budget amount by both 15% and \$200,000 prior to completion of the project; and

WHEREAS, the previously approved budget for Capital Project PG-40025 Advanced Distribution Management System was \$4,603,120; and

WHEREAS, the projected final total cost for Capital Project PG-40025 Advanced Distribution Management System is \$6,315,943, should the project be completed; and

WHEREAS, BWL staff and management reviewed the project cost in detail, which includes but is not limited to the rationale and circumstances for the increased budget projection; and

WHEREAS, BWL staff and management recommends that the Capital Project PG-40025 Advanced Distribution Management System projected spending be approved; and

RESOLVED, the BWL Board of Commissioners approve projected spending for Capital Project PG-40025 Advanced Distribution Management System with a projected final total cost of \$6,315,943.

Motion by Commissioner Mullen, **Seconded** by Commissioner Thomas, to approve the Resolution for the Capital Project Exceedance:PG-40025 Advanced Distribution Management System

Action: Motion Carried (Yeas 5: Commissioners Price, Leek, Mullen, Thomas, Zerkle) (Abstaining 1: Commissioner James)

MANAGER'S REMARKS

General Manager Dick Peffley provided the following information:

1. Delta Energy Plant (DEP) will run and tune the gas turbines in the 2nd week of October and will also start up the support equipment to fire up the steam generator to be brought online in the middle of November. There was a \$12 million (3%) impact by COVID-19 due to labor. DEP is currently available for emergency use.

Commissioner Leek asked for a completion date on DEP and how it was affected by COVID-19. GM Peffley responded that pre-COVID 19 DEP was to be brought online in September, but now it will be in November.

Commissioner Zerkle asked for confirmation that the DEP would be running in October. GM responded that DEP is available for use and there is fine tuning that is being conducted, but it will be completely operational in November.

2. BWL did not get selected for the water grant for which they applied but will work with lobbyists to find out why and report back to the Commissioners.
3. The Federal Infrastructure Plan is still in committee and when the plan is signed the Finance Department has a team ready to determine the best use for the funding.
4. Prior to the pandemic BWL averaged about \$1 million per month in unpaid utility bills, and in August after the pandemic started there was \$13.2 million in unpaid bills. Pandemic Relief Fairs with 12 community partners were held a month ago to assist with bill paying. About 100 people were expected and 1,000 people showed up and were assisted.

Chair Price commended the BWL and stated that the relief was an outstanding thing to do.

5. The First Step Program is in its thirteenth year. Fourteen students work alongside BWL employees from January to May. The students work 15 hours a week at \$12 per hour and those that complete the program receive an additional \$2,000 stipend for a participating college. The application process is currently in effect for participation for January 2022.

Commissioner Mullen commented that Lansing students are to be encouraged to apply as BWL is a local entity. GM Peffley responded that there is now a better relationship with the leadership of the Lansing School District and that the applications go through Michigan Works rather than BWL. Lansing students will be encouraged to apply.

6. The Amazon Fulfillment Center is a one million square foot warehouse that is being built on the corner of Mt. Hope and Creyts Roads in the BWL service territory. It will be serviced at three or four watts of energy per square feet if a contract is signed.
7. The BWL Policy on removing trees states that trees can't be removed without the owner's approval. BWL is currently working with the Moore's Park Neighborhood and it is in the last quarter of the tree trimming sections. BWL has gone from being near the bottom in restoration time to being at the top in the state of Michigan at 50 minutes.

Chair Price commented on being slammed in reports after the ice storm for not maintaining the tree trimming scheduling, that weather has become more severe and other utilities may take days for restoration. The safety of the line workers and restoration time are the most important items. GM Peffley added that he doesn't want trees to be cut down but safety and service to customers is more important.

8. In the Advanced Metering Infrastructure (AMI) program the BWL conducted a successful campaign in which there were 8,000 meters left to change in the spring and now there are 3,500 meters left to change.
9. There was a question sent through the BWL communication process from a customer about a water bill discrepancy and excess water use while the customer was on vacation. The water was running while customer was on vacation and the Smart meter was able to indicate that there was water usage.
10. After 10 years, BWL has regained a 10.8% differential between the nearest customer on residential rates.

Commissioner Jester inquired about the water meter that leaked while the customer was on vacation and if there would be a leak notification created. GM Peffley responded that there is notification project in progress that will send a notification if there is not a zero-usage reading if a customer indicates they will be on vacation.

Commissioner Zerkle commented that she appreciates the updates that GM Peffley provides and that BWL employees have a part in the accomplishments of the programs.

Commissioner Leek inquired about the hiring process for the Internal Auditor position and the Commissioners' tasks in the process. GM Peffley responded that a job description was put together and it was sent the Human Resources (HR) Committee, which they approved. BWL marketed the position through internal resources and a head hunter that is on contract. Three applications were received for the Internal Auditor position and forwarded to the HR Committee Chair. Applications will be received through next week. GM Peffley reviewed the questions asked in the previous interviewing process and will forward them to the Commissioners for edits. The next step after that will be to set up the interview process.

Chair Price stated that he polled the HR Committee earlier and a meeting is being scheduled in two weeks to review the applications received along with the HR Director.

Commissioner Thomas asked for a list of the 12 community partners that participated in the Pandemic Relief Fairs.

Commissioner James asked for information about the process for open enrollment and benefits. She also asked for information regarding the pros and cons for the services provided by the Pension provider for retirement and why that provider was selected. GM Peffley responded that the information would be sent to her.

COMMISSIONERS' REMARKS

There were no Commissioners' remarks.

EXCUSED ABSENCE

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

Action: Motion Carried.

PUBLIC COMMENTS

Bryan Taylor, Moores Park Neighborhood, spoke against the tree trimming that is planned and the proposals that have been offered and presented. Mr. Taylor asked that the tree trimming be postponed until the BWL can meet with the Moore's Park Neighborhood and discuss what can be done to manage the power lines in the neighborhood and protect the trees.

Alana Binker, Moores Park Neighborhood, spoke against the tree trimming that is planned.

ADJOURNMENT

Chair Price adjourned the meeting at 6:24 p.m.

M. Denise Griffin, Corporate Secretary

Preliminary Minutes filed (electronically) with Lansing City Clerk 10-01 -21

Approved by the Board of Commissioners: 11-16-21

Official Minutes filed (electronically) with Lansing City Clerk: 11-17 -21