



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

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**January 28, 2020**

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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, January 28, 2020.

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

Present: Commissioners David Price, Beth Graham, Deshon Leek, David Lenz, Anthony Mullen, Ken Ross, Tracy Thomas, and Sandra Zerkle. Non-Voting Commissioners present: Michael Froh (Meridian Township), Douglas Jester (East Lansing), and Larry Merrill (Delta Township).

Absent: None

Corporate Secretary Griffin declared a quorum.

Commissioner Beth Graham led the Pledge of Allegiance.

**APPROVAL OF MINUTES**

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, to approve the Regular Board Meeting minutes of November 19, 2019.

**Action:** Motion Carried

**PUBLIC COMMENTS**

None.

**COMMUNICATIONS**

Electronic Mail received from Steve Rall re: Energy and Climate Issues - *Referred to Management. Received and Placed on File*

Board Chair David Price presented the Finance Committee Report on behalf of Finance Committee Chair Ken Ross:

**FINANCE COMMITTEE  
Meeting Minutes  
January 14, 2020**

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, January 14, 2020.

Board Chairperson David Price, Chaired the Finance Committee on behalf of Commissioner Ken Ross, called the meeting to order at 5:30 pm and asked Corporate Secretary Griffin for the roll call.

Present: Commissioners David Price, Beth Graham, David Lenz (arrived at 5:47pm), Tony Mullen, and Sandra Zerkle (Alternate Member). Also, present: Commissioners Tracy Thomas, and Non-Voting Commissioners Douglas Jester (East Lansing) (arrived at 5:32pm) and Mike Froh (Meridian Township).

Absent: Commissioner Ken Ross

The Corporate Secretary declared a quorum.

### **Public Comments**

None.

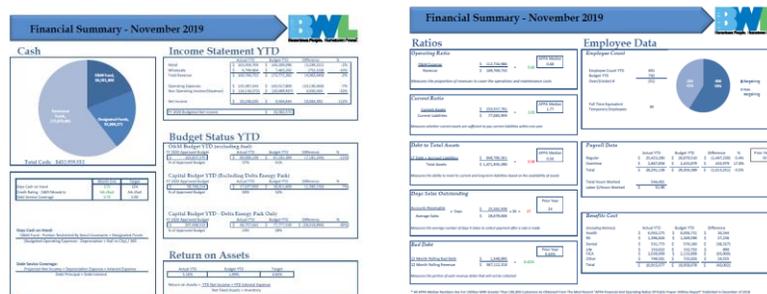
### **Approval of Minutes**

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, to approve the Finance Committee meeting minutes of November 5, 2019.

**Action:** Motion Carried.

### **November YTD Financial Summary**

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



Total Cash decreased about \$1.1 million from the prior month. Out of the \$273 million of the restricted funds, \$230 million is restricted for the bond proceeds for Delta Energy Park. Days Cash on Hand was 173 and 165 is projected for December due to biannual return on equity payment to the city. Total revenue is \$169.7 million compared to a budget of \$173.7 but with the underspend on operating expenses there is a positive net income actual to budget of \$20.2 million compared to the budget of \$9.5 million. December revenue is short by \$2 million but continued underspend of operating expenses and non-operating expenses, and the \$1 million VEBA adjustment will cause the net income to be \$1.6 million better than budget.

Commissioner Price inquired about the potential help that was brought in for the possible ice storm and what was the outcome. General Manager Peffley responded that about 200 people were involved and \$200-250,000 was spent for labor and lodging.

Commissioner Graham questioned if the decrease in the income was because of the GM strike. CFO Shawa responded that about \$1 million was because of the GM strike.

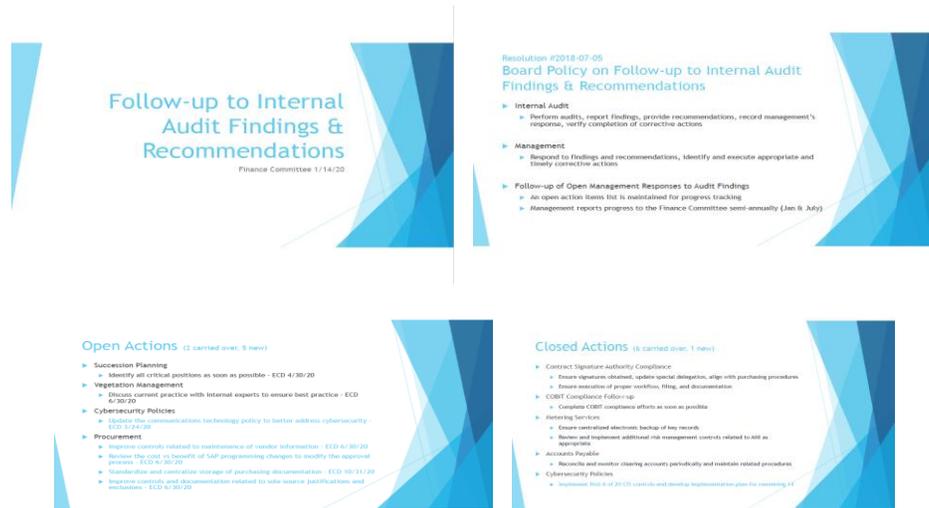
CFO Shawa stated that Capital Budget YTD, excluding Delta Energy Park, was on budget. Delta Energy Park's difference from budget is from the timing of major bid packages that are being procured and budget will be caught up in the fiscal year. There are two of the five Debt ratios that are lagging due to the issuance of more

debt and two holiday days at the end of the month. Employee data is under compared to budget and vacancies are being filled with contract temporaries and some overtime.

Commissioner Zerkle asked if there was a drastic change, does the staff investigate to find a logical reason or explanation. Ms. Shawa responded that the Finance and Accounting team determine the variances on a monthly basis and the finance team also conducts a midyear review.

**Biannual Follow-up to Internal Audit Findings & Recommendations**

Chief Financial Officer Heather Shawa introduced Mr. Scott Taylor, Finance Manager who presented the follow-up to the internal audit findings and recommendations.



Mr. Taylor stated that there is a Board resolution that calls for a follow-up regarding progress made on corrective actions related to audits and reviewed the responsibilities of Internal Audit and Management areas, open actions, closed actions

Commissioner Zerkle asked if the answers are returned to the internal auditor when the managers fix or answer their open audit actions, and if an item is brought to the board if the internal auditor doesn't believe a satisfactory answer has been achieved. Mr. Taylor responded that after the internal auditor drafts the report, the finance department meets with the departments and develops responses to the actions. The responses are reviewed with the internal auditor to determine whether the findings were addressed and then the General Manager signs off on the responses.

**Internal Audit Status Report**

Internal Auditor, Mr. Wesley Lewis, presented the Internal Audit Status Report. The revised audit plan includes conducting three audits instead of six audits, due to the transition in the internal audit position and the addition of the Principal Auditor, Brian Schimke. The internal audit management software system and information analytics tool technology upgrades are progressing with IT and the assigned vendor.

 <b>Internal Audit Status Report</b>  Presented by: Wesley Lewis, Director of Internal Audit Finance Committee Meeting January 14, 2020	<p style="text-align: center;"><b>Overview</b></p> <ul style="list-style-type: none"> <li>• Revised FY 2020 Audit Plan and Progress Report</li> <li>• Other Items</li> </ul>	<p style="text-align: center;"><b>Revised FY 2020 Audit Plan and Progress Report</b></p> <ol style="list-style-type: none"> <li>1. <i>Cash Management and Treasury Audit (First Time Audit) – Kicked off on 9/30/2019 and is in progress.</i></li> <li>2. <i>Fixed Assets (Last audited in May 2012) – Kicked off on 10/21/2019 and in progress.</i></li> <li>3. <i>Energy Risk Management (Last Audited in June 2013) – Scheduled kickoff is 4/6/2020.</i></li> </ol> <p><small>* As previously reported, this plan, along with all dates, are subject to change.</small></p>	<p style="text-align: center;"><b>Other Items</b></p> <ol style="list-style-type: none"> <li>1. Staffing Update - New Principal Auditor</li> <li>2. Current Technology Upgrades                         <ul style="list-style-type: none"> <li>• Internal Audit Management Software System</li> <li>• Information Analytics Tool, with Artificial Intelligence</li> </ul> </li> <li>3. ISO Certification for Internal Audit</li> <li>4. CISA Exam Progress</li> </ol>		
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Commissioner Thomas asked Internal Auditor Lewis, whether the three audits were created by him and he affirmed.

**Motion** by Commissioner Mullen, Seconded by Commissioner Zerkle, for the Committee to accept the revised FY 2020 Audit Plan.

**Action:** Motion Carried.

**Other**

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

**Action:** Motion Carried.

Commissioner Thomas commended the BWL for the work done during the storm and the success of the vegetation program. GM Peffley responded that a lot of positive comments were received, including from the Mayor of East Lansing and Delta Township Councilmembers.

**Adjourn**

Commissioner Price adjourned the meeting at 6:02 p.m.

Respectfully submitted  
David Price, Acting 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/ACTION ITEMS**

There were no Resolutions/Action Items.

**MANAGER'S REMARKS**

General Manager Richard Peffley presented a video of the third and final combustion turbine being transported to the new plant site. The new plant is well within the budget parameters and on schedule for completion in June/July of 2021.

GM Peffley reported that BWL, for the third consecutive year, received the APPA RP3 designation of diamond, the highest-level rating. The Reliable Public Power Provider award is awarded to companies that perform an operational self-check by bench marking on national levels. The RP3 designation is a sign of a utility that is focused on operating an efficient, safe, and reliable distribution system. The RP3 designation gives the BWL national recognition for providing excellent service to its customers, community leaders, and state and federal regulatory agencies. The designation represents the quality of the utility based on industry recognized leading

practices of reliability, safety, workforce development, and system improvements. There are approximately 2,030 utilities, of which 107 have a diamond rating, 100 have a platinum rating, and 66 have a gold rating.

GM Peffley also reported that there was a very successful staging for the recent storm warning. More than 200 people were on site, about 130 on the day run and 70 at night. The East Lansing mayor, Delta Township supervisor, and three council members felt that the BWL was prepared for the storm.

Commissioner Ross congratulated BWL on the preparedness for the past imminent storm. He asked whether there was a fundamental reason for the about the persistent short outages issues on the west side area. GM Peffley responded that testing equipment was placed on several houses in order to track the outages. It was found that there was a relay setting that was too tight, or sensitive, an adjustment was made about two weeks ago and there hasn't been an outage since.

Commissioner Zerkle inquired about the third turbine of the new plant and whether there were only two at this site. GM Peffley responded that there are two smaller turbines of half the size at REO. Commissioner Zerkle asked for the comparison of power output at REO and the new plant. GM Peffley responded that the REO plant can put out a 100 MW of electricity on a cool day with the two turbines, the new plant will be capable of a 250 MW output and Erickson has an output of 160 MW. When the new plant is completed, there will be two combustion turbines and a steam turbine that will make it the most efficient high-tech plant in the country.

#### **COMMISSIONERS' REMARKS**

Commissioner Thomas recognized the new Principal Auditor, Brian Schimke, and welcomed him.

Commissioner Ross recognized Internal Auditor, Wesley Lewis, who recently received CISO certification. Commissioner Price informed that the Joint City of Lansing and Board of Water and Light Committee of the Whole meeting will be a dinner meeting and held at the REO Depot on March 30, 2020.

#### **PUBLIC COMMENTS**

None.

#### **ADJOURNMENT**

Chair Price adjourned the meeting at 5:45p.m.