



BOARD OF WATER AND LIGHT

**September 22, 2020 - 5:30 p.m. via WebEx Meetings
REO Town Depot, 1201 S. Washington Ave., Lansing, Michigan
REGULAR BOARD MEETING AGENDA**

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

Due to public safety concerns resulting from the COVID-19 Pandemic, this meeting will be conducted via WebEx Conferencing. Instructional options to be in attendance are as follows:

1. Event Address for Attendees for Regular Board Meeting:

<https://lbwlevents.webex.com/lbwlevents/onstage/g.php?MTID=e4383ce599333e51ac1a05f8bf270a67d>

Event Number for Attendees for Regular Board Meeting: 132 586 8372

Event Password for Regular Board Meeting: 3PJkTC9Ji6M

2. Audio Conference for Regular Board Meeting:

United States Toll +1-408-418-9388

Access Code: 132 586 8372

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1. Roll Call

2. Pledge of Allegiance

3. Approval of Minutes

- a. Regular Board Meeting Minutes of July 28, 2020

4. Public Comment on Agenda Items

Members of the public are welcome to speak to the Board on any agenda subject. Anyone wishing to comment on any matter not on the agenda may do so immediately prior to adjournment.

Options for Public Comment (PC) participation include:

- Raising your hand by clicking on the hand icon button  in the Participants panel
- Submitting written comments by email to mdenise.griffin@lbwl.com (By the End of PC)
- Submitting written comments to 1201 S. Washington Ave., Lansing, 48911

5. Communications

- a. Electronic Mail from Mike Braem re: Utility Rates

6. Committee Reports

- a. Committee of the Whole Meeting (September 8, 2020)-Tracy Thomas, Chair

b. Finance Committee Meeting (September 8, 2020)-David Lenz, Chair

7. Manager's Recommendations

8. Unfinished Business

9. New Business

10. Resolutions/Action Items

- a. Acceptance of the 2020 Audited Financial Statements
- b. Capital Project Exceedance Approval Revision

11. Manager's Remarks

12. Commissioners' Remarks

13. Motion of Excused Absence

14. Public Comment

Members of the public are welcome to speak to the Board on any BWL matter.

Options for Public Comment (PC) participation include:

- Raising your hand by clicking on the hand icon button  in the Participants panel
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15. Adjournment

Persons with disabilities who need an accommodation to fully participate in this meeting should contact the Office of the BWL Corporate Secretary at (517) 702-6033 or mdenise.griffin@lbwl.com or utilize TTY by dialing 7-1-1 (a statewide **telephone** relay number that connects deaf, deaf-blind, hard of hearing, and/or speech impaired people who use text telephones (TTYs) with standard (voice) **telephone** users). A 24-hour notice may be needed for certain accommodations. An attempt will be made to grant all reasonable accommodation requests.

STATE OF MICHIGAN EXECUTIVE ORDER #2020-177: Declaration of a statewide State of Emergency due to the spread of the novel coronavirus (COVID-19).

STATE OF MICHIGAN EXECUTIVE ORDER 2020-154 - Temporary authorization of remote participation in public meetings and hearings, public bodies subject to the Open Meetings Act, including boards, commissions, committees, subcommittees, authorities, councils and nonprofit boards, can use telephone- or video- conferencing methods to continue meeting and conducting business during the coronavirus (COVID-19) public health crisis, so long as they follow certain procedures to ensure meaningful access and participation by members of the public body and the general public.

Posted: September 16, 2020
M. Denise Griffin
BWL Corporate Secretary (517) 702-6033



MINUTES OF THE BOARD OF COMMISSIONERS MEETING

LANSING BOARD OF WATER AND LIGHT

July 28, 2020

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 28th 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.

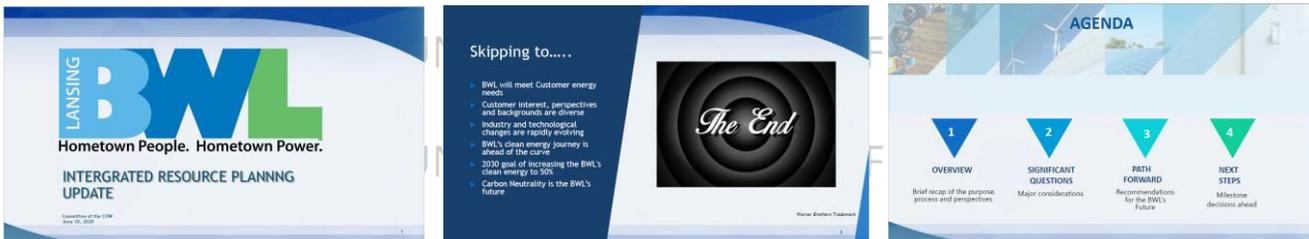
Motion Carried by the following Roll Call Vote:

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.

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

Five public meetings at locations throughout the service territory.

No customer to receive feedback and information on active contributions from members of the public to the two webinars and three open houses.

Social media, email and web took gathering 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
➢ CO₂ Emissions Reduction
➢ No Emissions Reduction
➢ SO₂ Emissions Reduction

CLEAN ENERGY & CARBON

How the BWL compares to its competitors - before recommendations

2022: Eliminate Lancing 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%¹⁶

Rate Impact
\$49.46 compared to \$49.55

Generation Diversity
0.5:3:7 compared to 0:5:3:8

CO₂ Reduction
83.0% compared to 81%

SO₂ Reduction
99.9%

NO_x Reduction
97.0%

BALANCED JOURNEY

2001: Offer customers 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 1st Home Utility to retire its coal-fired power plant by 2025.

BALANCED JOURNEY

2007: BWL contracted for 1.6 MW of landfill 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 expanded its Cedar Street solar array to 1500V.

2015: BWL led development of 300V 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
- CO₂
- NO_x
- SO₂
- Environment
- Customer Interest
- Beneficial Electrification
- Energy Waste Reduction
- 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, availability of renewable resources, 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.

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, availability of renewable resources, 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.

GROWING COMMITMENT

US States, 65 Countries, And Over 100 Cities

Corporations

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

Investor-owned and Municipal Utilities

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

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- Madison Gas & Electric
- PG&E
- Xcel
- Duke Energy
- Dominion
- NRG

NEXT STEPS

Evaluate BWL's Carbon Portfolio

Carbon Reduction Targets or Savings Plan

Develop Carbon Reduction & Offset Program

Reflect Goals in Short-term

Initiate utility coal-based generation closure

Climate response strategy

Reduce overall generation and procurement for net-zero emissions

Reduce utility coal-based generation

Reduce utility coal-based generation

Reduce utility coal-based generation

NEXT STEPS CONT...

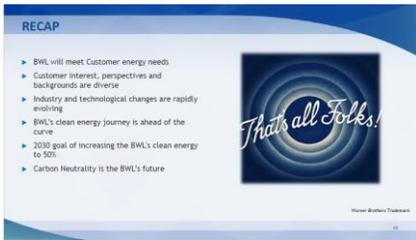
Evaluate Business Model
Continue to research industry changes and opportunity for the BWL to evolve its business model and customer experience.

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.

UNOFFICIAL UNOFFICIAL UNOFFICIAL UNOFFICIAL



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.

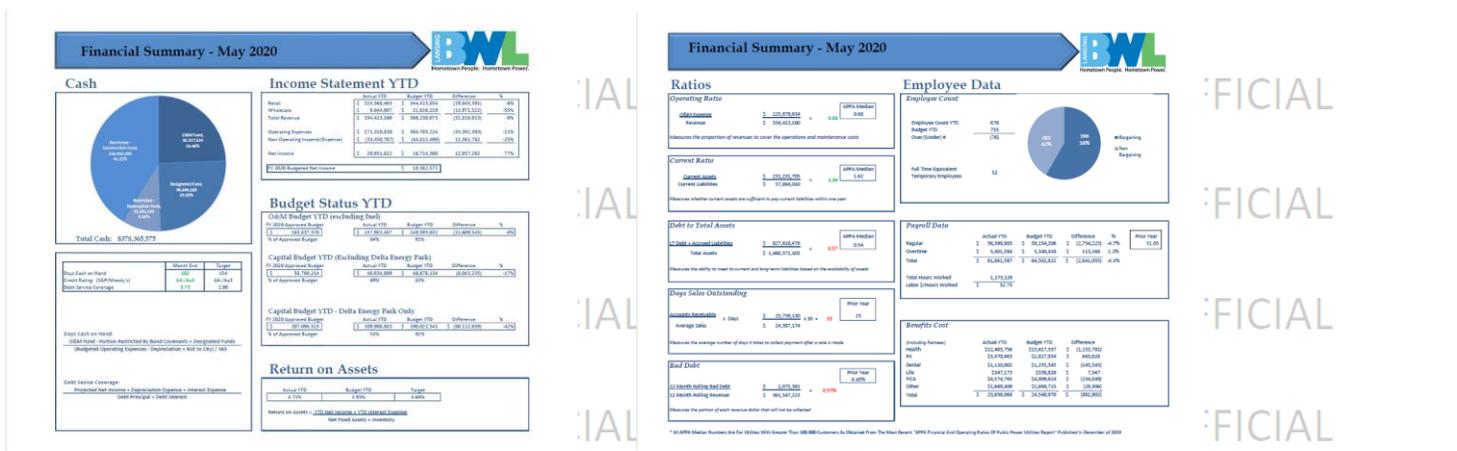
Approval of Minutes

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 ECD (Expected Completion Date) is 3/1/20, revised ECD 8/31/20, delay primarily due to recent staffing changes
 - Completed action - access/policy procedures have been updated, if 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; if employees with conflicts, authorization reduced from 1 to 0
- Standardize and centralize storage of purchasing documentation - ECD 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 SAP early developer availability), review - designation, and more formalized documentation of review procedures
- Establish more centralized and comprehensive approval documentation for significant transactions - ECD 6/30/20
- Remaining action - detailed review of existing wire documents, finalize additional documentation as needed, 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 6/30/20, 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 sessions 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 5/28/20
 - 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 7/15/20
 - 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 7/15/20
- The procedure for establishing and maintaining online bank portal entitlement 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 had 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
Other Engagements and Projects:	
Ongoing Management Assistance, (including Proactive Audit Engagements)	400
New Customer Information System: Pre-implementation Audit	300
Special Projects and Requests	300
Total Required Hours	3,500

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 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 1178 and 1179). 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.



7

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 ongoing 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.

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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



9

Proposed Revised Audit Charter (Cont'd)

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.



10

Action Items

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

We recommend the approval of both.

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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 __-__-20



MINUTES OF THE BOARD OF COMMISSIONERS MEETING

LANSING BOARD OF WATER AND LIGHT

July 28, 2020

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 28th 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.

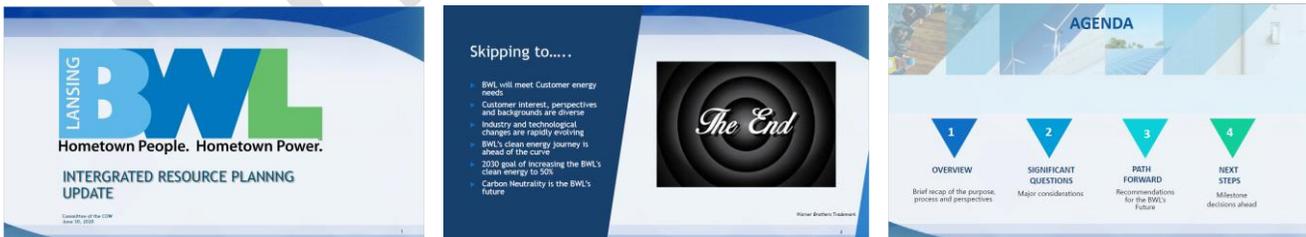
Motion Carried by the following Roll Call Vote:

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 on a variety of topics related to the IRP planning process. Customers' input priorities related to clean energy, reliability, and affordability.

No customer surveys finished and information on active contributions from members of the public to the IRP process.

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 plants?
- 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
 > CO₂ Emissions Reduction
 > NO_x Emissions Reduction
 > SO₂ 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%¹

Rate Impact
\$49.46 compared to \$49.55

Generation Diversity
0.5:57 compared to 0.5:30

CO₂ Reduction
83.0% compared to 81%

SO₂ Reduction
99.9%

NO_x 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 30% by 2020 & 40% by 2030.

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

BALANCED JOURNEY

2007: BWL contracted for 100 MW of landfill 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 300+ community solar project allowing customers to directly invest.

BALANCED JOURNEY

2016: BWL contracted for 24 MW of solar in Delta Two, 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
- CO₂
- NO_x
- SO₂
- Environment
- Risk
- Investment Risk
- Business Requirements
- Percentage of Dispatchable Generation
- Customer Energy Choice

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 tree-plant and trade.
- Undertake programs that absorb carbon from the atmosphere.
- Further develop Energy Waste Reduction programs to reduce customer and their consumption.

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 tree-plant and trade.
- Undertake programs that absorb carbon from the atmosphere.
- Further develop Energy Waste Reduction programs to reduce customer and their consumption.

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

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

NEXT STEPS

Evaluate BWL Coal Portfolio

Carbon Reduction Targets in Strategic Plan

Finalize Utility Coal-based generation source

Climate response strategy

Develop Carbon Reduction & Offset Program

Align resources available and/or investment for net-zero generation

Reflect Goals in "Scenario"

Review scenario, assess probability, identify and address uncertainties

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.

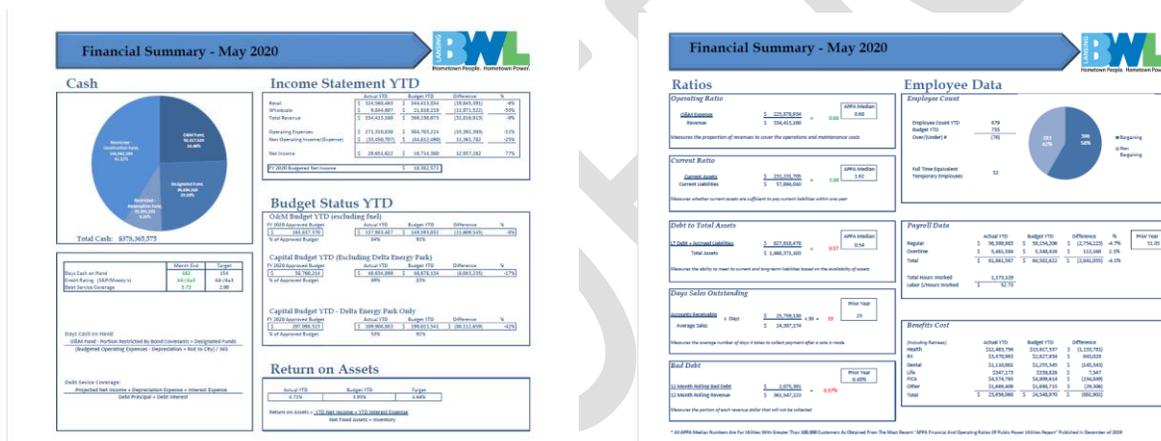
Approval of Minutes

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, if of employees with conflicting authorization 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 early 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 quote 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 5/28/20
 - 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 8/30/20, 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 degree of parity when appropriate - ECD 5/31/20, actual completion date 7/15/20
 - The general accounting manual and procedures were updated to allow for a single reviewer 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 8/30/20, actual completion date 7/15/20
 - The procedure for establishing and maintaining wire bank portal entitlements has been expanded and formalized, all changes are contained in one template concept has been modified 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 requester 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 had 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
Other Engagements and Projects:	
Ongoing Management Assistance, (including Proactive Audit Engagements)	400
New Customer Information System: Pre-implementation Audit	300
Special Projects and Requests	300
Total Required Hours	3,500

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 Audits Concept

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

- Besides free access must be ongoing and unfiltered. 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 1178 and 1179). 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.



7

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



9

Proposed Revised Audit Charter (Cont'd)

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.



10

Action Items

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

We recommend the approval of both.



11

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 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

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 __-__-20

Sent: Tuesday, September 17, 2019 4:40 AM

Subject: Webform submission from: Email BWL Commissioners > Body Content

Select a Commissioner:

Beth Graham

Name

Mike Braem

Street Address

2331 Harding Ave.
Lansing, Michigan. 48910

Email Address

braem@comcast.net

Message

Good Morning: I want a reply as to why the rates are so high for my residence. I was in touch with my council member Jeremy Garza, who advised that he was recently in touch with Dick Peffley about the high rates - too many people have been complaining about the high rates, which seem to correspond with installation of the smart meters. Mr. Peffley advised that we - customers - should contact the BWL to make sure our smart meters were installed correctly.

I called over the weekend and was advised that someone would be sent out this week. First, can you please ensure that someone comes to my residence to make sure both smart meters have been installed correctly (I may have to be home to allow someone into the basement). Second, I have every reason to believe that BWL will act out of self-interest and find that it installed the smart meters correctly - if this is the case, then why isn't BWL working to lower our rates? BWL monopolizes Lansing resources leaving customers powerless to complain, yet our rates keep going up. That's inherently unfair and contrary to BWL's message that it serves the public.

I'd appreciate your email reply and follow-up to ensure my smart meters are checked this week. Thank you.

COMMITTEE OF THE WHOLE

Meeting Minutes

September 8, 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, September 8, 2020.

Committee of the Whole Chair Tracy Thomas called the meeting to order at 5:39 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Tracy Thomas, Beth Graham (arrived @5:40 p.m.), David Lenz, Deshon Leek, Anthony Mullen, David Price, Ken Ross, and Sandra Zerkle, and Non-Voting Members: Douglas 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 Ross, **Seconded** by Commissioner Graham, to approve the Committee of the Whole meeting minutes of June 30, 2020.

A roll call vote was taken: Commissioners Thomas, Graham, Leek, Lenz, Mullen, Price, Ross, Zerkle

Action: Motion Carried.

Annual Energy Waste Reduction (EWR) Program Update

General Manager Dick Peffley introduced Environmental Services and Reliability Compliance Manager, Ms. Lori Myott, who presented the annual energy waste reduction (EWR) program update. Ms. Myott introduced Ms. Aileen Gow, Energy Analyst, and Mr. Patrick Walters, Energy Specialist.

2019 Energy Waste Reduction and Renewable Energy Annual Update

Committee of the Whole
September 8, 2020

LANSING BWL
Hometown People. Hometown Power.

2019 Annual Update of PA 295 & PA 342

- Public Act 295 of 2008 required each municipal utility to provide an annual update of its Energy Optimization and Renewable Energy programs to its governing board
- Public Act 342, passed in December 2016, also known as the Clean and Renewable Energy and Energy Waste Reduction Act, amends PA 295
- Each utility must file annual reports with the Michigan Public Service Commission by May 31st
- Each utility must supply an annual report to its customers; the BWL will supply its report in the October Connections

2019 Energy Waste Reduction Programs

- Residential Programs
 - Services for Low Income Customers
 - High Efficiency Lighting
 - Appliance Turn-in & Recycling
 - Multi-Family Services
 - Energy Star Products/Equipment
- Business - Prescriptive, Custom and Small Business Programs
- Energy Education Services
- Pilot programs

Residential Programs

Residential - Program Highlights

- Education in the Community
 - 40 local events reaching 5,648 residents
 - 31 presentations reaching 536 participants (mostly homebuyers)
 - Think! Energy (w/CE) & Bright Energy School programs:
 - Reached 21 schools, 41 teachers, 1,323 students and distributed \$2,625 grants
 - Hosted teacher workshop at REO Depot



Residential - Program Highlights

- Pilot Programs
 - Affordable Housing Grants
 - \$17,391 for six home projects
 - Michigan Saves Financing
 - Partnership with Consumers Energy and Michigan Saves
 - Residential- 0% for \$1,000-\$30,000 loans >4 yrs.

Residential - Program Highlights

Low Income 2019

- 188 Hometown Help energy assessments
- Two Multifamily properties
- 13,760 items installed, recycled or distributed
 - 9,560 LED Bulbs/Fixtures
 - 1,875 Energy Kits (2 LED bulbs and 1 nightlight)
 - 106 Refrigerators
 - 61 Room Air Conditioners
 - 2,158 Other

What our customers are saying...

"Since we are on a fixed income the Hometown Help program is very much appreciated. Our new refrigerator came today and it's wonderful. It's so nice to not be hearing that awful noise our other one made and be in fear that it would quit working."

Sincerely, David and Christy Miller

Residential - Program Highlights

- Key Community Partners
 - Allen Neighborhood Center;
 - Capital Area Housing Partnership;
 - City of Lansing Neighborhood Initiatives;
 - Cristo Rey Community Center;
 - Habitat for Humanity Capital Region;
 - Multiple other nonprofit organizations that serve our vulnerable populations

What our customers are saying...

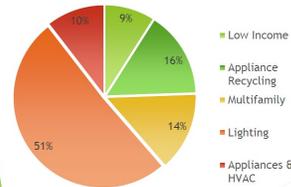
"I would highly recommend this program. The specialist that came to do the inspection was conscientious, informative, polite and professional. Thanks!"

Joel Whitaker, Lansing

"Thank you for replacing my old dehumidifier. This house is now more "comfortable"."

Pam Foster

Residential Summary 2009-2019



Business Programs

Business - Program Highlights

- Nonprofit Facility Grants
 - \$107,439 in grants for eighteen organizations

- | | |
|-------------------------------------|-------------------------------------|
| Allen Neighborhood Center | Ele's Place |
| Bethlehem Lutheran Church | Eve |
| Capital Area District Library | Grace Lutheran Church |
| Central Free Methodist Church | Haven House |
| Community Baptist Church | Habitat for Humanity Capital Region |
| Cristo Rey Community Center | Kingdom Ministries |
| Disability Network Capital Area | Montessori Children's School |
| Educational Child Care Center (ECC) | Reach Out Christian Church |
| | West Side Church |
| | Walker Bible Baptist Church |



Business - Program Highlights

HVAC Upgrades



- Liquid Web
- 4 Computer Room AC Units (CRAC) & Optimizers replaced 6 older units
- Accounts for 15%-20% of all kWh usage at building
- \$91,168 incentive
- 1,066,024 kWh lifetime savings

Business - Program Highlights

Lighting



- LEPFA - Lansing Center
- Lighting upgrades in a couple of the main conference rooms
- 125,006 kWh saved
- \$9,000 incentive

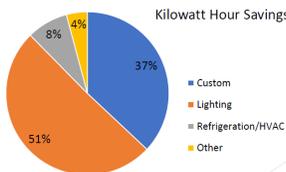
Business - Program Highlights

Million kWh Club

New Members for 2019	
Liquid Web	Farm Bureau
New Genetics	Auto Owners
State of Michigan - Multiple Buildings	

Previous Members	
General Motors (x3)	Quality Dairy
Ashley Ryder	Denmer Properties LLC
SoM_DMB	Lansing School District
Peckham Vocational Ind.	WMU Cooley Law School
Sparrow Hospital	Ashley Capital
Board of Water & Light	Jackson National Life
Meijer, Inc	Liquid Web (x2)
Lansing Mall	East Lansing Public Schools

Business Summary 2009-2019

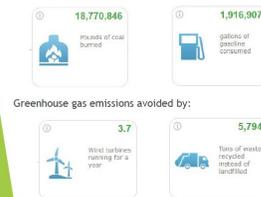


Energy Waste Reduction Summary

Program Portfolio	2019 Goals		2019 Actual	
	Gross First Year kWh Savings	Program Budget	Gross First Year kWh Savings	Program Budget
Low Income Services	561,485	\$247,059	651,726	\$247,059
Residential Programs	5,774,105	\$955,646	6,128,792	\$929,679
Business Services	15,435,560	\$2,736,661	17,313,672	\$2,200,810
Total Program Portfolio	21,771,150	\$3,939,316	24,094,190	\$3,377,549
Program Administration		\$400,000		\$294,763
Evaluation (EM&V)		\$400,000		\$182,771
ANNUAL TOTALS	21,771,150	\$4,739,316	24,094,190	\$3,855,083

Environmental Equivalency

The amount of electricity saved through EWR programs is equivalent to:



Renewable Energy

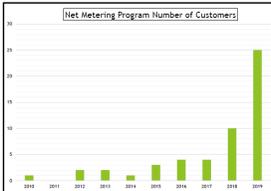
Renewable Energy 2019 Summary

- BWL was required to meet the state's 12.5% renewable energy portfolio law.
- With planned developments and the ability to carry-forward renewable energy credits, the BWL will not need any additional renewable energy to meet compliance with PA 342.
- BWL is also slated to achieve our 30% clean energy goal by 2020.

2019 Updates

- First full calendar year of Delta Solar - 37,568 MWh
- Community Solar - named project of the year by Michigan Energy Innovation Business Council
- Net Metering Solar program update
 - Added 25 new Residential customers (250% increase over 2018)
 - Total number of customers: 47 Residential and 5 Commercial
 - Total Net Metering Capacity is 335.26 kW as of 12/31/2019

Net Metering Program



Current Renewable Energy Portfolio

- EDL landfill gas - 11.2 MW
- Exelon Wind in Gratiot County—19.2 MW
- Solar (Cedar street and REO office building) - 160 kW
- Delta Solar - 24 MW



Planned Projects

- Solar
 - Ranger Assembly
 - 10 MW 2021
 - 80 MW 2022
 - Invenergy
 - 10 MW 2022
- Wind
 - Pegasus
 - 68 MW 2020



Thank you.

Questions?



Commissioner Ross asked whether the consumers are educated about the solar panel energy program before making the purchase as a customer complained that there wasn't a significant reduction in energy cost. GM Peffley responded that the contractors don't interact with the utility until the solar panel contract is signed by the customer. The customer requests a permit from BWL but that is after the purchase. At energy events BWL encourages prospective solar customers to contact the BWL first.

Commissioner Thomas asked about the results for the schools in the energy program and asked why Holt and Waverly schools weren't in the Million kWh Club. Ms. Myott responded that it depends on whether the school's projects meet the kWh amount. Ms. Gow responded that Holt School is under Consumers Power.

Commissioner Price asked for an explanation of how BWL works with Michigan Saves and what types of improvements are eligible. Ms. Myott responded that loans are purchased for renovation so that the customer has 0% interest for a four-year period. Michigan Saves promotes the program and works with financial institutions to help finance the projects. Ms. Gow responded that windows, furnaces, air conditioners, and building shell improvements are eligible. Consumers Energy contributes 60/40 with BWL. Ms. Gow also noted that the program may be phasing out as Consumers Energy will no longer be contributing to it.

Commissioner Graham asked whether new buildings being built were notified about energy reduction programs. Ms. Gow responded that anyone doing a new build is encouraged to contact BWL’s commercial to make sure that what is being installed is the most efficient. Mr. Walters responded that there is a new construction program for commercial buildings.

Commissioner Zerkle asked whether Central Methodist Church received one of the grants and, if more difficulty occurs when obtaining contracts, what plans are in place to overcome the issues. Ms. Myott responded that the church received one of the grants and that a five-year plan is being constructed as the next couple of years are expected to be challenging.

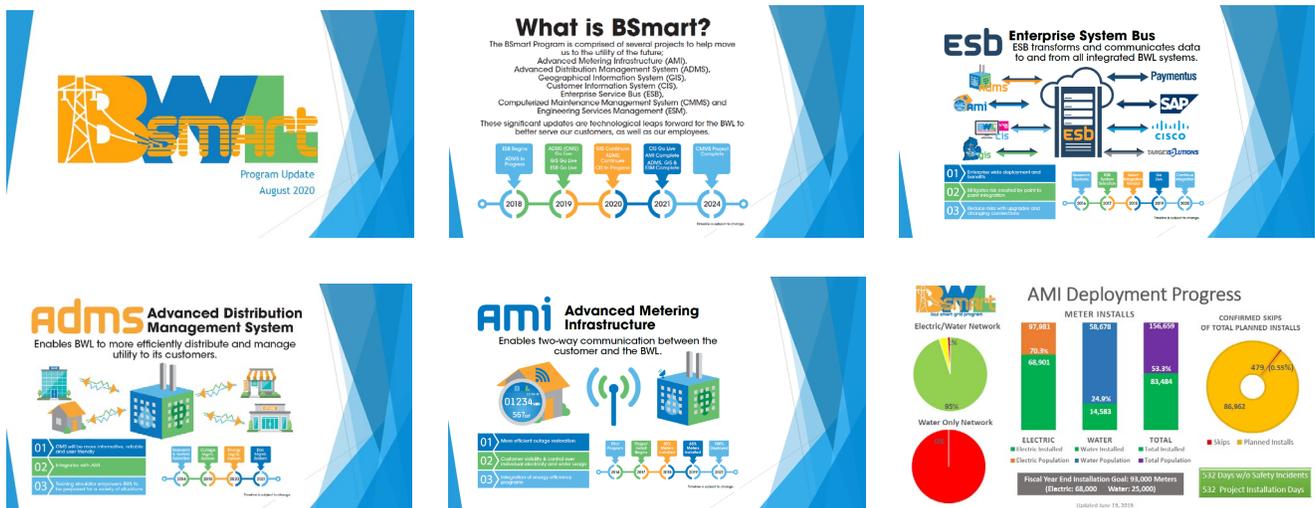
Commissioner Lenz asked how non-profit grant recipients were selected. Ms. Gow responded that applicants need to be 501c3 organizations and the first applicants that qualify according to the guidelines are selected. There is a \$5,000 cap on the grant.

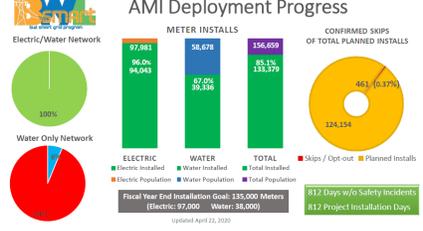
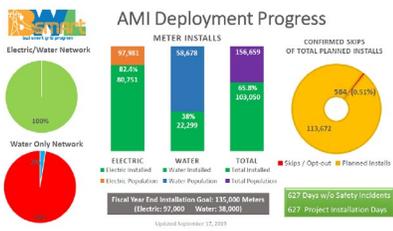
Commissioner Ross asked whether a portfolio of 222 MW of renewables by 2022 was correct. Ms. Myott confirmed. Commissioner Ross asked what amount of credit would be taken for the renewables. Ms. Myott responded that solar is 60% credit and wind is low and about 20% credit. GM Peffley responded that initially Pegasus wasn’t going to be commissioned, so BWL switched to Ranger Solar. Pegasus was then negotiated for a lower cost and both Ranger Solar and Pegasus were kept. Pegasus started running September 10, 2020 and Ranger is ahead of schedule. GM Peffley will send the exact values to the Commissioners.

Commissioner Lenz asked where the BWL stands on the app project that monitors energy usage and when BWL would be rolling out the program to the customers. Ms. Myott responded that she would follow up as there isn’t a specific date set yet for the app capability and it is part of the AMI program.

BSmart Program Update

Corporate Secretary M. Denise Griffin, on behalf of GM Peffley, introduced Enterprise Business Program Manager, Kellee Christensen, who provided information on the BSmart Program. Ms. Christensen highlighted the Advance Metering Infrastructure (AMI), Advanced Distribution Management System (ADMS), Geographical Information System (GIS), Customer Information System (CIS), and Enterprise Service Bus (ESB).

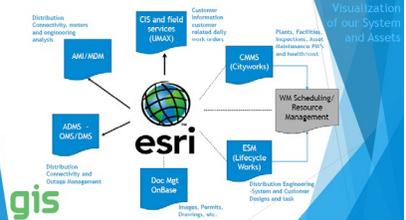




CIS Customer Information System



gis Geographical Information System



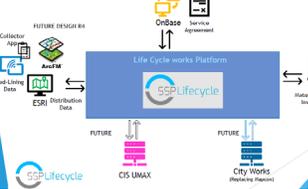
gis ArcFM Design - Release 4



ESM Engineering Services Management



ESM Interfaces



CMMS Computerized Maintenance Management System

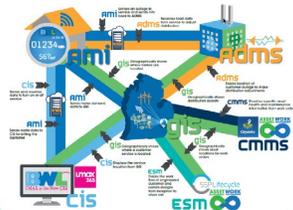


BSmart 2.0 - What's next?

- In conjunction with next strategic plan we are formulating BSmart 2.0 to include the remaining planned releases that are planned and budgeted from 1.0 as well as additional need to support BWL becoming the utility of the future.
- Continue measure KPI and ROI of Initial BSmart projects
- Focus on continued business process improvement/streamlining
- Upcoming projects**
 - Construction scheduling resource management tool to replace legacy tool
 - CRM customer relationship management
 - Finalize scope and specifications for future business operation system (replace SAP) FY22-24 will be selection and implementation years
 - Payroll and human resource management, finance, accounting, budgeting, purchasing and warehousing
 - Future interfaces of BSmart project systems to further improve functionality and efficiencies
 - Distribution automation pilot with Distribution System Management
 - Enterprise Content Management opportunities

BSmart Program Financials as of July 2020

Project	Capital Stage Gate	FY 2021	FY 2024 Estimate	Future Estimate	Total Actual/Fcst	Budget	Over/(Under) Budget	%
CIS	4	\$ 5,247,877	\$ 4,086,227	\$ 1,115,700	\$ 10,449,824	\$ 13,420,295	\$ (3,970,471)	-29%
AMI	4	\$ 15,578,528	\$ 4,848,262	\$ -	\$ 20,426,790	\$ 19,187,268	\$ 1,239,522	6%
GIS	4	\$ 4,431,972	\$ 448,024	\$ -	\$ 4,880,000	\$ 5,336,152	\$ (456,152)	-9%
ESM	4	\$ 4,572,116	\$ 2,741,400	\$ 278,807	\$ 7,592,323	\$ 6,503,841	\$ 1,088,482	16%
CMMS	4	\$ 479,143	\$ 300,000	\$ 4,572,085	\$ 5,351,228	\$ 5,793,112	\$ (441,884)	-8%
CRM	4	\$ 126,970	\$ 450,212	\$ -	\$ 577,182	\$ 594,925	\$ (17,743)	-3%
Total Budget		\$ 30,892,595	\$ 12,104,121	\$ 5,904,592	\$ 48,801,308	\$ 57,745,827	\$ (8,944,519)	-15%



Thank you Q&A?

GM Peffley provided updated renewable portfolio numbers and stated that there will be 225 MW of wind and solar online at close of business next year. The daily average load of energy is 265 MW.

Other

There was no other business.

Adjourn

Commissioner Thomas adjourned the meeting at 6:41 p.m.

Respectfully Submitted
Tracy Thomas, Chair
Committee of the Whole

FINANCE COMMITTEE
Meeting Minutes
September 8, 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.

Finance Committee Chair David Lenz, called the September 8, 2020, 6:00 P.M. Finance Committee meeting to order at 6:51 p.m.

Corporate Secretary Griffin took the roll call to acknowledge attendance.

Present: Commissioners David Lenz, Beth Graham, David Price, and Ken Ross. Also, present: Commissioners Deshon Leek, Tracy Thomas, and Sandra Zerkle; and Non-Voting Commissioners Douglas 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 Ross, to approve the Finance Committee meeting minutes of July 21, 2020.

Motion Carried by the following Roll Call Vote:

Yeas: Commissioners Lenz, Graham, Price, and Ross

Nays: None

Tabled Items from July 21, 2020: REMAINED ON THE TABLE

1) Proposed Internal Audit Charter, 2) Redlined Internal Audit Charter, 3) Resolution

Baker Tilly External Audit Report and Resolution

Chief Financial Officer (CFO) Heather Shawa introduced external auditor Jodi Dobson, Partner at Baker Tilly Virchow Krause, LLP. Ms. Dobson presented and highlighted the external audit report which included an audit overview, observations and recommendations, and required communications to the governing body. BWL received an unmodified or clean opinion which is the highest level of assurance provided.

Ms. Dobson's presentation was as follows:

Board of Water and Light – City of Lansing

Finance Committee Meeting - 2020 Audit Presentation

September 8, 2020

Board of Water and Light – City of Lansing

Agenda

- Audit overview
- Observations and Recommendations
- Required Communication to Governing Body

Board of Water and Light – City of Lansing

Audit Overview

- Audit performed in accordance with *Generally Accepted Auditing Standards*
- Audit objective – reasonable assurance that financial statements are free from material misstatement
- Financial statements of BWL received an *Unmodified Opinion*

Board of Water and Light – City of Lansing

Audit Overview

Financial Statements Include

- Auditors' report
- Management discussion and analysis
- Enterprise fund statements
- Consolidated pension trust statements
- Notes
- Required supplemental information
- Additional information

Board of Water and Light – City of Lansing

Audit Overview

Audit assesses internal controls

...a means by which an organization's resources are directed, monitored, and measured. It plays an important role in preventing and detecting fraud and protecting the organization's resources.

Controls must meet the goal and objectives of Operations, Reporting and Compliance

Board of Water and Light – City of Lansing

Audit Overview

Controls reviewed in key transaction areas

- Disbursements
- Payroll
- Billings
- Cash and investments
- Capital assets
- Information technology
- Financial reporting

Board of Water and Light – City of Lansing

Observations and recommendations

Enterprise Fund

- Reported net income of \$29,700,000
- Bond coverage was met in 2020
- There were no material weaknesses reported
- Implemented GASB 88

Board of Water and Light – City of Lansing

Observations and recommendations

Enterprise Fund

Operating Revenues – Four-year Comparison (in thousands)

	2017	2018	2019	2020
Water	\$ 48,708	\$ 48,128	\$ 48,128	\$ 48,128
Electric	111,425	120,251	126,451	128,952
Other	13,486	12,022	13,762	13,220
Other water	6,320	6,225	5,322	5,221
Operating Revenue	\$ 179,939	\$ 186,626	\$ 193,663	\$ 195,521

Board of Water and Light – City of Lansing

Observations and recommendations

Enterprise Fund

Operating Expenses – Four-year Comparison (in thousands)

	2017	2018	2019	2020
Production	\$ 185,511	\$ 174,244	\$ 184,277	\$ 184,511
Transmission and Distribution	28,586	27,551	28,421	28,421
Administration and General	26,418	25,839	26,864	26,817
Electricity	22,862	25,832	25,233	25,236
Depreciation	43,206	45,225	45,155	45,155
Operating Expenses	\$ 246,583	\$ 238,752	\$ 245,950	\$ 245,140

Board of Water and Light – City of Lansing

Observations and recommendations

Enterprise Fund

Operating Income – Four-year Comparison (in thousands)

	2017	2018	2019	2020
Water	\$ 4,808	\$ 3,421	\$ 1,236	\$ 3,481
Electric	21,139	13,293	19,475	43,812
Other	1,494	1,471	1,464	1,464
Other water	3,005	3,425	3,421	3,005
Operating Income	\$ 23,556	\$ 23,560	\$ 44,424	\$ 48,072

Board of Water and Light – City of Lansing

Observations and recommendations

Enterprise Fund

Future Debt Service Requirements (in thousands)

	2021	2022	2023	2024	2025
Principal	\$ 1,262	\$ 1,242	\$ 1,244	\$ 1,244	\$ 1,242
Interest	22,662	23,942	25,476	26,800	28,195
Total	\$ 23,924	\$ 25,184	\$ 26,720	\$ 28,044	\$ 29,437

Debt service after 2022 includes remaining principal payments of \$588,798,729 and interest payments of \$36,229,658 through 2048

Board of Water and Light – City of Lansing

Observations and recommendations

Pension Plans

- Separate financial statements issued for each pension plan
- All three plans received unmodified audit opinions

Board of Water and Light – City of Lansing

Observations and recommendations

Future accounting standards

- GASB Statement No. 84: *Fiduciary Activities* effective for fiscal year 2021
- GASB Statement No. 87: *Leases* – effective for fiscal year 2022
- GASB Statement No. 90: *Majority Equity Interests* – effective for fiscal year 2021
- GASB Statement No. 91: *Contract Debt Obligations* – effective for fiscal year 2022
- GASB Statement No. 92: *Omibus* – effective for fiscal year 2022
- GASB Statement No. 93: *Replacement of Inland Bank Owned Rates* – effective for fiscal year 2022
- GASB Statement No. 94: *Public Pensions and Public Public Partnerships* – effective for fiscal year 2023
- GASB Statement No. 96: *Subscription-Based Information Technology Arrangements* – effective for fiscal year 2024
- GASB Statement No. 97: *Certain Compensation Unit Credits, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – effective for fiscal year 2024

Board of Water and Light – City of Lansing

Auditor communication to those charged with governance

Area to be Communicated	Area to be Communicated
Our responsibility under Auditing Standards Generally Accepted in the United States	Other Information in Documents Containing Audited Financial Statements
Planned Scope and Timing of the Audit	Accounting Policies
Accounting Estimates	Financial Statement Disclosures
Difficulties Encountered in Performing the Audit	Corrected and Uncorrected Misstatements of the Audit
Disagreements with Management	Consultations with Other Independent Accountants
Management Representations	Auditor Independence

Board of Water and Light – City of Lansing

We appreciate the help of the Board of Water and Light General Accounting & Finance Teams in preparing for and assisting in the audit!

Board of Water and Light – City of Lansing

Audit summary

Discussion

Jodi Dobson, Partner
D: 650.242.2469
jodi.dobson@bakertilly.com

Jeff Hurdia, Senior Accountant
D: 650.242.0794
jeff.hurdia@bakertilly.com

Commissioner Ross inquired whether Ms. Dobson would be continuing with the external audits with Baker Tilly for BWL. He also asked for additional detail regarding the upcoming fiduciary responsibility changes and how it will affect BWL pension plans. Ms. Dobson responded that there are 40 individuals that work with municipal utilities and rotation among their staff is an option. Ms. Dobson also responded that there isn't a significant affect on BWL's financial statements as the pension plans are already incorporated into them.

Commissioner Lenz noted the diverging of income increasingly relying on electric generation, that at some point steam and water would have a zero impact for net income and would cost money to operate, and the role of steam and water is something that needs to be discussed for the strategic plan.

Motion by Commissioner Price, **Seconded** by Commissioner Ross to forward to the Board Meeting for consideration the Acceptance of the Resolution for the 2020 Audited Financial Statements.

Motion Carried by the following Roll Call Vote:
 Yeas: Commissioners Lenz, Graham, Price, and Ross
 Nays: None

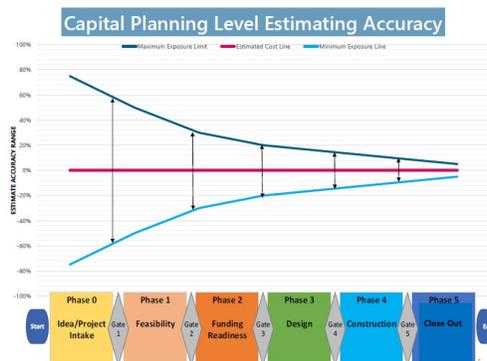
July YTD Financial Summary

CFO Heather Shawa gave a review of the July 2020 Financial Summary. Ms. Shawa reported the following: revenue was \$34.6 million compared to budget of \$33.1 million; operating expenses were \$21.6 million compared to budget of \$25.7 million; and Net Income was positive at \$9.3 million compared to budget of \$3.5 million.

Commissioner Lenz commented that BWL is doing an outstanding job of maintaining revenues as the audited financial statements and July financial summary includes the shutdown of General Motors and COVID19.

Capital Project Exceedance (CPE) Revision

CFO Ms. Shawa presented the Capital Project Exceedance Revision.



Finance Committee Meeting September 8, 2020

Chair Lenz commented that the resolution is going to change the benchmark point of when projects are monitored, allow the projection of more accurate project budgets, and provide tighter control on project costs.

Commissioner Zerkle questioned when the Capital Project Exceedance (CPE) Budget is brought to the Board. She also asked when is staff asked for the ideas for that particular Budget. CFO Shawa responded that the staff is asked for ideas in November and the CPE Budget is presented to the Board in May. Currently a project is brought forward as an exceedance based on the project intake phase. General Manager Peffley responded that during the early phases there may be an overestimate of costs and then the amount requested and received is spent. The resolution will narrow down the project amount requested to ensure capital funds are available for all of the necessary utility priorities.

Commissioner Ross commented on the inefficiencies in the CPE budget process. Previously there were transparencies in the budget process of the top 80% of the projects by dollar volume which hasn't carried through this year. Commissioner Ross added that in the amendment of the exceedance approval there are some key terms that are not defined. General Manager Peffley responded that transparency and tracking in the top 80% of the projects can be reinstated at the Chair's request at a Finance Committee meeting. CFO Shawa responded that she can have the capital project information of line items by project sent out to the Finance committee. CFO Shawa also responded that there are guidelines within an operational capitalization policy which defines annual and planned projects and can be sent to the committee.

Commissioner Zerkle asked about the procedure included in the resolution regarding the General Manager revising the procedure. Chair Lenz stated the resolution states that the General Manager will report excessive exceedances. Commissioner Ross commented that there should be definitions added and recognition of additional reporting; and the Board should not manage the projects but should be given the necessary tools for effective oversight, and for those reasons he will be voting no.

Motion by Commissioner Price, **Seconded** by Commissioner Graham to forward the Capital Project Exceedance Revision Resolution to the full Board for consideration.

Motion Carried by the following Roll Call Vote:
Yeas: Commissioners Lenz, Graham, and Price
Nays: Commissioner Ross

Internal Audit Status Report

Internal Auditor, Mr. Wesley Lewis, presented the Internal Auditor Status Report.



Internal Audit Status Report

Presented by:
Wesley Lewis, Director of Internal Audit
Finance Committee Meeting
September 8, 2020

Other Items

1. Internal Audit Outreach With Other BWL Departments
2. Update on Ongoing Education and Certification of IA Staff



Finance Committee Meeting
9/8/2020

4

Overview

- Status Report
- Other Items



Finance Committee Meeting
9/8/2020

2

Status Report

FY 2020 Audit Engagement in Progress:

1. Energy Risk Management

FY 2021 Audit Engagements (Beginning Stages):

1. MPPA and MISO Billings
2. IT - Cybersecurity Process
3. IT - Vulnerability Assessments
4. PCards

Note: A request for proposal (RFP) was sent out to several IT audit consultant vendors for bids for #2 and #3 above. Once received, the bids will be evaluated by the vendor selection committee, then the best vendor will be selected.



Finance Committee Meeting
9/8/2020

3

Other

There was no other business.

Adjourn

Chair David Lenz adjourned the meeting at 8:08 p.m.

Respectfully submitted
David Lenz, Chair
Finance Committee

Proposed Resolution
Fiscal Year 2020 Audited Financial Statements
of the Enterprise Fund and Pension Fiduciary Funds

RESOLVED, that the fiscal year 2020 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 2020 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, 2020.

FURTHER RESOLVED, that the Corporate Secretary is hereby directed to file a copy of the fiscal year 2020 Audited Financial Statements of the Board of Water and Light with the City of Lansing no later than October 2020.

Proposed Resolution
Capital Project Exceedance Approval

RESOLVED, that Board of Water and Light Policy 15-02 "Capital Project Exceedance Approval" is hereby amended as follows:

RESOLVED, that any approved capital project that is expected to exceed its total budget amount by both 15% and \$200,000 or more must have the exceedance approved by the Commissioners prior to completion of the project; and

RESOLVED, that in the case of "planned" capital projects the total budget amount is the project's designed budget amount; and

RESOLVED, the General Manager shall report the expected exceedance to the Commissioners as soon as reasonably possible; and

RESOLVED, this policy applies to the aggregate total budget amounts for electric, water, steam, and chilled water "annual" capital projects and to the individual total designed budget amounts for "planned" capital projects; and

RESOLVED, the General Manager shall establish and implement procedures overseeing capital project costs consistent with this policy.

This resolution supersedes Resolutions 2000-3-2, 2001-6-16 and 2015-07-05.

Staff comments:

In the existing Policy, a project's Total Budget Amount can be based on the initiation (Intake) phase of a project. This amount is usually based on historical or industry estimates of similar projects and does not capture issues that can significantly affect the cost of a project.

When the capital budget/forecast is developed, a project's cost that is shown in the budget reflects the quality of information know at that time. For any project, it would reflect where the project is in its lifecycle: Initiation (Intake), Feasibility, Design, Construction/Commissioning, or Close-out stage.

It is recognized by the Project Management Profession that projects in the Initiation (Intake) phase can have a margin of error that can range from 50% to 200% of the actual completion cost. As a project matures through the design phase, the margin of error reduces to 5 to 15%.

The recommendation to use the design cost as the basis for reporting a project's exceedances aligns with the existing BWL policy of reporting an exceedance when a planned project's expected completion cost is in excess of 15% and \$200,000 of the designed cost.