



**LANSING BOARD OF WATER & LIGHT BOARD OF COMMISSIONERS
FINANCE COMMITTEE MEETING
July 16, 2024 – 6:00 P.M.
Board of Water & Light Headquarters – REO Town Depot
1201 S. Washington Ave., Lansing, MI 48910**

Finance Committee: Sandra Zerkle, Committee Chairperson; Beth Graham; David Price; and Dale Schrader; Alternates: Semone James, Tracy Thomas; Non-Voting: J. R. Beauboeuf, Robert Worthy, Brian Pillar

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

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

- 1. Approval of the Finance Committee Meeting Minutes of May 14, 2024TAB 1
- 2. May YTD Financial SummaryTAB 2
 - a. Capital Project ReportTAB 2a
 - b. Capital Project Exceedance Request (Electric Annuals)TAB 2b
 - c. Capital Project Exceedance Request (Electric Annuals) ResolutionTAB 2c
- 3. Rate Strategy PresentationTAB 3
- 4. Retirement Plan Committee (RPC) UpdateTAB 4
 - a. Retirement Plan Committee (RPC) CharterTAB 4a
 - b. Retirement Plan Committee (RPC) Charter Approval ResolutionTAB 4b
- 5. Bi-Annual Internal Audit Open Management Response UpdateTAB 5
- 6. Review and Approval of Board of Commissioners Fourth Quarter Budget and Expense Report**INFORMATION ONLY**
- 7. Internal Audit Department Status UpdateTAB 6
- 8. PA95 Audit ResultsTAB 7
- 9. FY 2025 Internal Audit Work PlanTAB 8
 - a. FY 2025 Internal Audit Work Plan ResolutionTAB 8a

Other

Adjourn

FINANCE COMMITTEE
Meeting Minutes
May 14, 2024

Finance Committee: Sandra Zerkle, Committee Chairperson; Beth Graham; David Price; and Dale Schrader; Alternates: Semone James, Tracy Thomas; Non-Voting: Commissioners J. R. Beauboeuf, Brian Pillar, Robert Worthy.

The Finance Committee of the Board of Water and Light (BWL) met at the BWL Headquarters – REO Town Depot, located at 1201 S. Washington Ave., Lansing, MI on Tuesday, May 14, 2024.

Finance Committee Chairperson Sandra Zerkle called the meeting to order at 7:17 p.m. and asked the Corporate Secretary to call the roll.

Present: Commissioners Beth Graham, David Price, Dale Schrader, and Sandra Zerkle; Also Present: Commissioners Semone James (Alternate), Tracy Thomas (Alternate), DeShon Leek, Brian Pillar (Meridian Township), and Robert Worthy (Delta Township).

Absent: None

The Corporate Secretary declared a quorum.

Public Comments

There were no public comments.

Approval of Minutes

Motion by Commissioner David Price, **Seconded** by Commissioner Dale Schrader, to approve the Finance Committee Meeting minutes of March 19, 2024.

Yeas: Commissioners Beth Graham, David Price, Dale Schrader, and Sandra Zerkle

Nays: None

Action: Motion Carried.

March YTD Financial Summary

CFO Heather Shawa presented the March YTD Financial Summary. Days Cash on Hand and the net income remain under target due to the cash outflow from the August storm. The cost of the bond issuance was not included in the budget and that also contributes to the net income amount. Retail income is strong and wholesale income is down but offset by lower fuel costs. The year end projected net income was updated and the budget forecast is projected to be at 1.7%. Capital projects are currently underspent but will increase by year end.

Chairperson Zerkle asked if the Days Cash on Hand would be brought up in the next Financial Summary. CFO Shawa responded that the budget presentation tonight will show that budget will be back on target. Chairperson Zerkle also asked about the wholesale budget and actual amounts. GM Peffley responded that there were equipment malfunctions at one of the plants.

CFO Shawa stated that the debt to total assets would remain under until further payments are made on the principle of debt. Days sales outstanding was under due to an increase in receivables and bad debt is slightly under and expected to improve due to funding from PA95.

Commissioner James asked whether PHP was being offered as a provider. CFO Shawa responded that the HR Executive Director was working on selecting the best provider.

Rate Strategy Update

CFO Shawa presented the Rate Strategy Update with a prospective timeline. Proposed rates and tariff charges are to be filed with the Lansing City Clerk 45 days before the public hearing on July 5, 2024; the Rate Strategy will be presented at the July 11, 2024 Finance Committee Meeting; the public notice of the hearing will be filed with the Lansing State Journal on August 5, 2024; the public hearing/rate hearing is proposed to be held on August 20, 2024; the approval of rates and tariffs are to be approved at a proposed Special Board of Commissioners Meeting on August 27, 2024; and the Year 1 Rates and Year 2 Rates will be implemented October 1, 2024 and October 1, 2025 respectively.

Commissioner Schrader asked what the tariffs were. CFO Shawa and GM Peffley responded that the tariffs are the costs for different services for residential, commercial and industrial customers.

FY 25 Operating Budget and FY25-30 Forecast Presentation and Resolution

CFO Shawa presented the FY 2025-2030 Budget and Forecast. CFO Shawa provided the FY 2024 major accomplishments for the following areas: Customer and Community, Workforce Engagement and Diversity, Climate and Environment, Operational Resiliency and Continuous Improvement, and Financial Stability. CFO Shawa also provided information on target metrics and the focus of the FY2025-FY2030 budget and forecast cycle. She added that the current strategic plan is supported by the budget and forecast and reviewed the key budget and forecast assumptions.

Commissioner James asked whether the Return on Equity amount of 6% would be increased for inflation. GM Peffley responded that instead of increasing the 6% amount, the strategy is to increase revenue.

Commissioner Thomas asked if the Return on Equity amount would ever be decreased due to a loss of revenue. GM Peffley responded that the Return on Equity amount can be discussed with the City.

Commissioner James asked if revenue is greatly increased could the 6% be lowered. GM Peffley responded that the request would need to be brought to the City.

Commissioner Schrader commented that with the revenue from the onboarding of Ultium, the revenue will increase substantially. GM Peffley responded in the affirmative and that the impact from Ultium will be discussed in the 6-year forecast.

Commissioner Zerkle asked what occurs when grant dollars are received that have not been included in the budget. GM Peffley responded that those grant dollars would be used to offset future rate hikes. CFO Shawa responded that those grants dollars would also supplement capital projects and cash flow.

Commissioner Thomas commented that receiving recognition awards will help in receiving grants.

Scott Taylor, Director of Finance and Planning, presented the sales volume history and forecast, the operating budget and forecast, and the capitol portfolio budget and forecast. In the operating budget and forecast section, Mr. Taylor provided information from the FY 2025 income statement, the FY 2025 operating expense by category, the 6-year income statement, the 6-year KPIs, the 6-year return on assets, the 6-year cash flow, and the 6-year bonded debt service.

GM Peffley commented that BWL is working with the State of Michigan to acquire grant dollars to convert steam to hot water.

Commissioner Worthy asked what the other sources of energy besides electric, water, steam, chilled water, gas, solar and wind. CFO Shawa responded that battery storage is another source of energy BWL will use.

Commissioner James asked whether no growth in the workforce was a realistic projection. GM Peffley responded that the BWL was adequately staffed, and that he was confident that staffing expectations will remain the same through FY 2030.

Commissioner James asked why we weren't looking at SAP replacement until FY 2030 and are we looking into utilizing AI (artificial intelligence). CFO Shawa responded that a decision needs to be made by 2028 to migrate into the cloud service platform or replace SAP and right now SAP is more than what we need as an ERP. What is best for each department – Human Resources, Billing, and Customer Operations, is what will be selected. Currently, 30% of functionality of SAP is used. SAP will be maintained if needed and BWL will be covered. CFO Shawa further stated that CIO Vern Myers and his team are working on a cyber security plan and looking into the pros and cons of AI and will be making recommendations. Scott Taylor shared next steps in the FY 25 Operating Budget and FY25-30 Forecast process.

Motion by Commissioner Dale Schrader, **Seconded** by Commissioner David Price to forward the Resolution for the FY2025-2030 Budget and Forecast to the full Board for consideration.

Yeas: Commissioners Beth Graham, David Price, Dale Schrader, and Sandra Zerkle

Nays: None

Action: Motion Carried.

CFO Shawa stated that as a reminder, after filing of the FY 25-30 Budget with City Clerk, BWL will be invited to the City Ways and Means Committee meeting where she and GM Peffley will give a high-level presentation to the City Council. GM Peffley commented that these meetings go very smooth for us.

Commissioner Thomas commended the awesome work on tree trimming being done in his neighborhood and that they have addressed the concern he shared with GM Peffley. He also shared the tree trimming signage is now reflective of the BWL mission statement. GM Peffley stated he would share Commissioner Thomas' comments with Vegetation Management and that they stepped up and made the changes to the signage that was 50 years too old.

Retirement Plan Committee (RPC) Updates

CFO Shawa presented the retirement plan committee investment activity and administrative activity updates for the DB, VEBA, 401a and 457b Plans. No discussion on this item.

Drinking Water State Revolving Fund (DWSRF) Project Plan Approval and Resolution

CFO Shawa presented the DWSRF project plan, next steps and requested approval through resolution to be forwarded to the full Board. The resolution is for funding for the next project plan that will be brought to the Board for approval before proceeding.

Commissioner James asked what was the interest rate on the loan. Mr. Taylor responded that the loan was a low interest loan rate of 1.875 percent and the rates are set by the term of the loan.

Commissioner Thomas asked how many attended the DWSRF public hearing held on April 29, 2024. CFO Shaw responded that there were about 12 attendees and there were a couple of kudos and no public comments.

Motion by Commissioner David Price, **Seconded** by Commissioner Beth Graham to forward the Resolution for the Drinking Water State Revolving Fund (DWSRF) Project Plan Approval to the full Board for consideration.

Yeas: Commissioners Beth Graham, David Price, Dale Schrader, and Sandra Zerkle

Nays: None

Action: Motion Carried.

FY2024 Rules and Regulations Audit Results

Director of Internal Audit Elisha Franco presented the FY 2024 rules and regulations audit results. The audit included a review of the FY 2024 rules and regulations fee and charge calculations, processes and procedures, and billing for fees and charges.

Commissioner James commended IA Director Franco on her presentation and asked whether there was a process in place for a security breach and if the information is encrypted at rest and in transit. Ms. Franco affirmed there is a process in place for a security breach, and as third

parties are responsible for secure encryption, a SOC report or internal control review is necessary. CFO Shawa also affirmed a process is in place in case of a security breach.

Internal Audit Status Report

Director of Internal Audit Elisha Franco presented the Internal Audit Status Report and provided the audit progress report.

Commissioner Zerkle commented that the audit was concise and clear.

Commissioner Thomas commented that he was impressed with Internal Auditor Elisha Franco's work.

Corporate Secretary LaVella Todd commented that the Commissioners have been provided with the most current version of the APPA Policymakers Handbook.

Other

There was no other business.

Adjourn

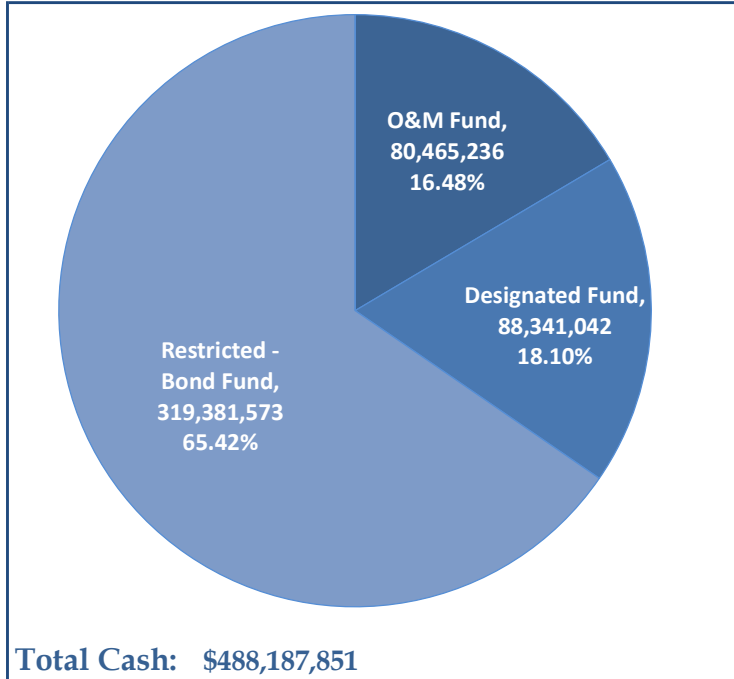
Chairperson Sandra Zerkle adjourned the meeting at 8:39 p.m.

Respectfully submitted,
Sandra Zerkle, Chairperson
Finance Committee

Financial Summary - May 2024 - FY24



Cash



Income Statement YTD

| | Actual YTD | Budget YTD | Difference | % |
|-------------------------------------|-----------------------|-----------------------|------------------------|-------------|
| Retail | \$ 350,083,516 | \$ 325,710,348 | \$ 24,373,168 | 7% |
| Wholesale | \$ 22,871,976 | \$ 78,577,503 | \$ (55,705,526) | -71% |
| Total Revenue | \$ 372,955,492 | \$ 404,287,850 | \$ (31,332,358) | -8% |
| Operating Expenses | \$ 327,952,828 | \$ 346,967,478 | \$ (19,014,650) | -5% |
| Non Operating Income/(Exp) | \$ (39,859,985) | \$ (39,987,476) | \$ 127,491 | 0% |
| Net Income | \$ 5,142,678 | \$ 17,332,896 | \$ (12,190,217) | -70% |
| FY 2024 Projected Net Income | | \$ 2,331,073 | | |
| FY 2024 Budgeted Net Income | | \$ 17,570,533 | | |

Budget Status YTD

| O&M Budget YTD (excluding fuel) | | | | |
|--|----------------|----------------|----------------|------|
| FY 2024 Approved Budget | Actual YTD | Budget YTD | Difference | % |
| \$ 180,495,706 | \$ 172,730,846 | \$ 163,251,455 | \$ 9,479,391 | 6% |
| % of Approved Budget | 96% | 90% | | |
| Capital Budget YTD | | | | |
| FY 2024 Approved Budget | Actual YTD | Budget YTD | Difference | % |
| \$ 84,070,285 | \$ 58,651,915 | \$ 65,940,539 | \$ (7,288,625) | -11% |
| % of Approved Budget | 70% | 78% | | |

| | Month End | Target |
|-----------------------------|-----------|---------|
| Days Cash on Hand | 144 | 157 |
| Credit Rating (S&P/Moody's) | AA-/Aa3 | AA-/Aa3 |
| Debt Service Coverage | 2.22 | 2.00 |

Days Cash on Hand:

O&M Fund - Portion Restricted By Bond Covenants + Designated Funds
 (Budgeted Operating Expenses - Depreciation + RoE to City) / 365

Debt Service Coverage:

Projected Net Income + Depreciation Expense + Interest Expense
 Debt Principal + Debt Interest

Return on Assets

| Actual YTD | Budget YTD | Target |
|------------|------------|--------|
| 1.82% | 2.76% | 4.65% |

Return on Assets = $\frac{\text{YTD Net Income} + \text{YTD Interest Expense}}{\text{Net Fixed Assets} + \text{Inventory}}$

Financial Summary - May 2024 - FY24



Ratios

Operating Ratio

| | | | | |
|------------------------|----------------|---|------|---------------------|
| <u>O&M Expense</u> | \$ 269,426,643 | = | 0.72 | APPA Median 0.76 |
| Revenue | \$ 372,955,492 | | | |

Measures the proportion of revenues to cover the operations and maintenance costs

Current Ratio

| | | | | |
|-----------------------|----------------|---|------|---------------------|
| <u>Current Assets</u> | \$ 259,283,859 | = | 2.74 | APPA Median 1.73 |
| Current Liabilities | \$ 94,754,235 | | | |

Measures whether current assets are sufficient to pay current liabilities within one year

Debt to Total Assets

| | | | | |
|--------------------------------------|------------------|---|------|---------------------|
| <u>LT Debt + Accrued Liabilities</u> | \$ 1,304,107,327 | = | 0.64 | APPA Median 0.56 |
| Total Assets | \$ 2,022,203,770 | | | |

Measures the ability to meet its current and long-term liabilities based on the availability of assets

Days Sales Outstanding

| | | | | | |
|-----------------------------|--------|---------------|--------|----|------------------|
| Average Accounts Receivable | x Days | \$ 33,494,803 | x 31 = | 33 | Prior Year 31 |
| Sales | | \$ 31,501,163 | | | |

Measures the average number of days it takes to collect payment after a sale is made

Bad Debt

| | | | | |
|--------------------------------------|----------------|---|-------|---------------------|
| <u>12 Month Rolling Bad Debt Exp</u> | \$ 2,251,778 | = | 0.54% | Prior Year 0.54% |
| 12 Month Rolling Revenue | \$ 414,831,831 | | | |

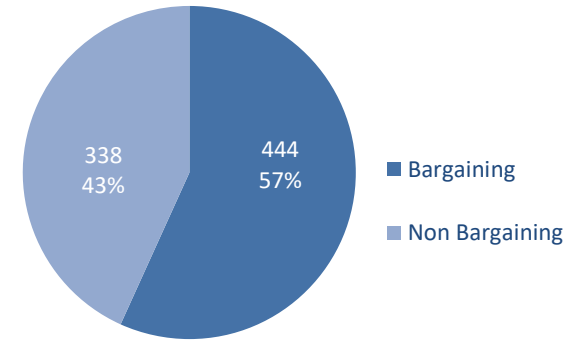
Measures the portion of each revenue dollar that will not be collected

Employee Data

Employee Count

| | |
|--------------------|------|
| Employee Count YTD | 782 |
| Budget YTD | 813 |
| Over/(Under) # | (31) |

| | |
|----------------------|----|
| Full Time Equivalent | 31 |
| Temporary Employees | |



Payroll Data

| | Actual YTD | Budget YTD | Difference | % | Prior Year |
|-----------------------|---------------|---------------|--------------|-------|------------|
| Regular | \$ 72,961,723 | \$ 73,064,924 | \$ (103,202) | -0.1% | \$ 57.66 |
| Overtime | \$ 8,037,363 | \$ 7,053,468 | \$ 983,895 | 13.9% | |
| Total | \$ 80,999,086 | \$ 80,118,393 | \$ 880,693 | 1.1% | |
| Total Hours Worked | 1,350,931 | | | | |
| Labor \$/Hours Worked | \$ 59.96 | | | | |

Benefits Cost

| (Including Retirees) | Actual YTD | Budget YTD | Difference |
|----------------------|---------------|---------------|--------------|
| Health | \$ 16,582,050 | \$ 16,414,136 | \$ 167,915 |
| Rx | \$ 3,893,211 | \$ 4,267,015 | \$ (373,804) |
| Dental | \$ 1,305,283 | \$ 1,238,432 | \$ 66,851 |
| Life | \$ 479,669 | \$ 562,436 | \$ (82,767) |
| FICA | \$ 6,016,245 | \$ 5,766,807 | \$ 249,437 |
| Other | \$ 611,116 | \$ 1,402,560 | \$ (791,444) |
| Total | \$ 28,887,575 | \$ 29,651,386 | \$ (763,812) |

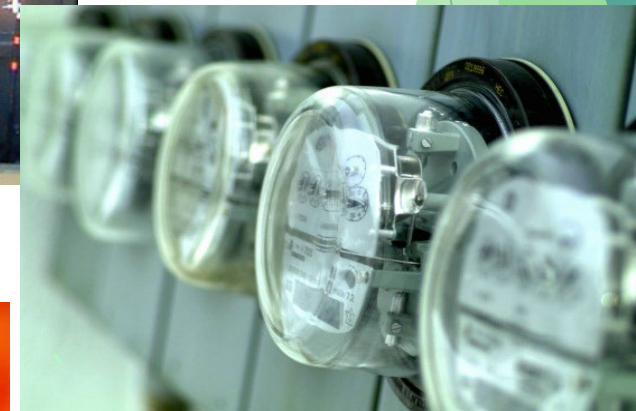
Report as of May 31, 2024

| Report as of May 31, 2024 | | | | | | | | | | | |
|---|----------------------------|----------------------|----------------------|------------------------|-----------------------|--------------------------|-------------------------|-----------------------------|-------------------------------|------------|--|
| Projects Sorted by the FY24 Projection (Highest to lowest costs) | | FY 24 | | Total Project | | | | Project Period | | | |
| Project Name | Current Phase ¹ | Budget | Projection | Designed Budget Amount | Current Projection | \$ Variance ² | % Variance ² | Total Cost Incurred To-Date | % Total Cost Incurred To-Date | Start Date | Projected Completion Date ¹ |
| Top Ten Planned Projects | | | | | | | | | | | |
| Wise Substation - Rebuild | Phase 4 - Construction | \$ 16,300,000 | \$ 14,741,972 | \$ 31,520,194 | \$ 31,580,209 | \$ 60,015 | 0.19% | \$ 24,162,741 | 76.51% | 7/1/2019 | 3/20/2025 |
| Ultium ³ | Phase 4 - Construction | \$ 1,420,594 | \$ 3,404,983 | \$ 34,186,068 | \$ 36,481,894 | \$ 2,295,826 | 6.72% | \$ 35,076,733 | 96.15% | 5/16/2022 | 9/30/2024 |
| LGR Substation | Phase 3 - Design | \$ 1,600,600 | \$ 3,098,222 | TBD | \$ 22,027,950 | \$ - | 0.00% | \$ 2,633,073 | 11.95% | 3/15/2021 | 8/10/2027 |
| Rundle Substation | Phase 3 - Design | \$ - | \$ 3,020,133 | TBD | \$ 25,522,465 | \$ - | 0.00% | \$ 2,613,020 | 10.24% | 3/12/2021 | 11/18/2027 |
| South Reinforcement - Transmission Line | Phase 3 - Design | \$ 5,000,000 | \$ 1,522,335 | TBD | \$ 43,759,446 | \$ - | 0.00% | \$ 5,596,572 | 12.79% | 7/1/2023 | 6/17/2026 |
| Dye Filter Controls Upgrade ⁴ | Phase 4 - Construction | \$ 1,920,581 | \$ 1,435,902 | \$ 2,165,755 | \$ 3,065,675 | \$ 899,920 | 41.55% | \$ 1,974,213 | 64.40% | 2/1/2021 | 5/15/2025 |
| PMIS | Phase 4 - Construction | \$ - | \$ 1,377,750 | \$ 1,519,157 | \$ 1,396,361 | \$ (122,796) | -8.08% | \$ 1,146,667 | 82.12% | 9/28/2023 | 7/24/2024 |
| HRIS | Phase 4 - Construction | \$ 1,000,000 | \$ 1,321,233 | \$ 3,902,097 | \$ 3,778,805 | \$ (123,292) | -3.16% | \$ 956,627 | 25.32% | 7/15/2023 | 7/16/2025 |
| Canal Substation | Phase 3 - Design | \$ - | \$ 953,026 | TBD | \$ 3,977,971 | \$ - | 0.00% | \$ 1,287,332 | 32.36% | 4/1/2021 | 12/10/2027 |
| Chilled Water Control System Upgrade | Phase 3 - Design | \$ 900,000 | \$ 901,604 | TBD | \$ 3,792,524 | \$ - | 0.00% | \$ 2,352 | 0.06% | 10/2/2023 | 10/29/2025 |
| Total Top Ten Planned Projects | | \$ 28,141,775 | \$ 31,777,160 | | \$ 175,383,300 | | | \$ 75,449,330 | | | |
| Project Watch List - Projects \$150k and 10% over the Designed Budget Amount (Outside of Top Ten Planned Projects) | | | | | | | | | | | |
| Eckert 13 & 15 Cutover (John Bean) ⁵ | Phase 4 - Construction | \$ - | \$ 460,986 | \$ 1,882,818 | \$ 2,170,274 | \$ 287,456 | 15.27% | \$ 2,021,281 | 93.13% | 10/25/2019 | 7/30/2024 |
| Total Project Watch List | | \$ - | \$ 460,986 | | \$ 2,170,274 | | | \$ 2,021,281 | | | |
| Remaining Planned | | | | | | | | | | | |
| Electric | | \$ 4,538,421 | \$ 1,683,835 | | | | | | | | |
| Water ³ | | \$ 5,236,247 | \$ 310,478 | | | | | | | | |
| Steam | | \$ 924,560 | \$ 485,342 | | | | | | | | |
| Chilled Water | | \$ - | \$ 0 | | | | | | | | |
| Common | | \$ 535,545 | \$ 2,206,755 | | | | | | | | |
| Total Remaining Planned | | \$ 11,234,773 | \$ 4,686,410 | | | | | | | | |
| Annual | | | | | | | | | | | |
| Electric | | \$ 17,900,000 | \$ 25,774,045 | | | \$ 7,874,045 | 43.99% | | | | |
| Water ³ | | \$ 15,630,911 | \$ 10,976,707 | | | \$ (4,654,204) | -29.78% | | | | |
| Steam | | \$ 3,755,805 | \$ 3,498,258 | | | \$ (257,547) | -6.86% | | | | |
| Chilled Water | | \$ 53,045 | \$ (142) | | | \$ (53,187) | -100.27% | | | | |
| Common | | \$ 7,353,976 | \$ 7,213,411 | | | \$ (140,565) | -1.91% | | | | |
| Total Annual | | \$ 44,693,737 | \$ 47,462,280 | | | \$ 2,768,543 | 6.19% | | | | |
| Grand Total | | \$ 84,070,285 | \$ 84,386,835 | | | | | | | | |

Notes:

- ¹ For projects that are in Stage Gates 1-3, the Expected Total Project Cost are high level estimates that can have a significant margin of error.
- ¹ For projects that are in Stage Gates 1-3, the Expected Completion Date is subject to change as organizational priorities or project plans are reassessed.
- ² Variances highlighted in red are over the \$200k and 15% thresholds.
- ³ FY24 budget and projections are shown net of anticipated grant funding.
- ⁴ Resolution 2024-03-01 approved Dye Filter Controls Upgrade for a final total project cost of \$3,065,675
- ⁵ Resolution 2024-01-01 approved Eckert 13 & 15 Cutover for a final total project cost of \$2,180,905

Electric Annual Exceedance



July 10, 2024

Hometown People. Hometown Power.

Annual Expenditures

- Reactive Emergent
 - Cable failures
 - Pole Failures
 - Storm response and restoration
- Urgent System Reliability work
 - Breaker replacement
 - Pole replacement
 - LCC back up circuit
 - 496 MDOT Bridge work



Significant Spend in Electric Annuals

| Event | Cost |
|---|--------------|
| Eckert Bushing replacement; high readings | \$ 172,000 |
| Replace switches on N Creyts Rd | \$ 127,000 |
| Pole Replacement emergent | \$ 230,000 |
| 496 Bridge (MDOT delays moved into this year) | \$ 527,000 |
| LCC (04 and 01 with damaged duct) | \$ 500,000 |
| Capital Replacement cost from August Storm | \$ 3,600,000 |
| Reclassification of Pole Removal Costs | \$ 950,000 |

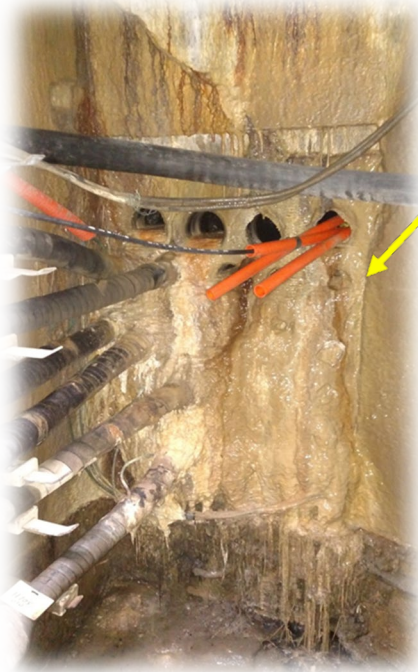


- Reactive Emergent
 - Cable failures
 - Pole Failures
 - Storm response
- Urgent System Reliability work
 - Breaker replacement
 - Pole replacement
 - LCC back up circuit
 - 496 MDOT Bridge work
 - AT&T Conversion to fiber



Examples of Expenditures

Cable and Duct system



LCC Back up Circuit

Broken duct



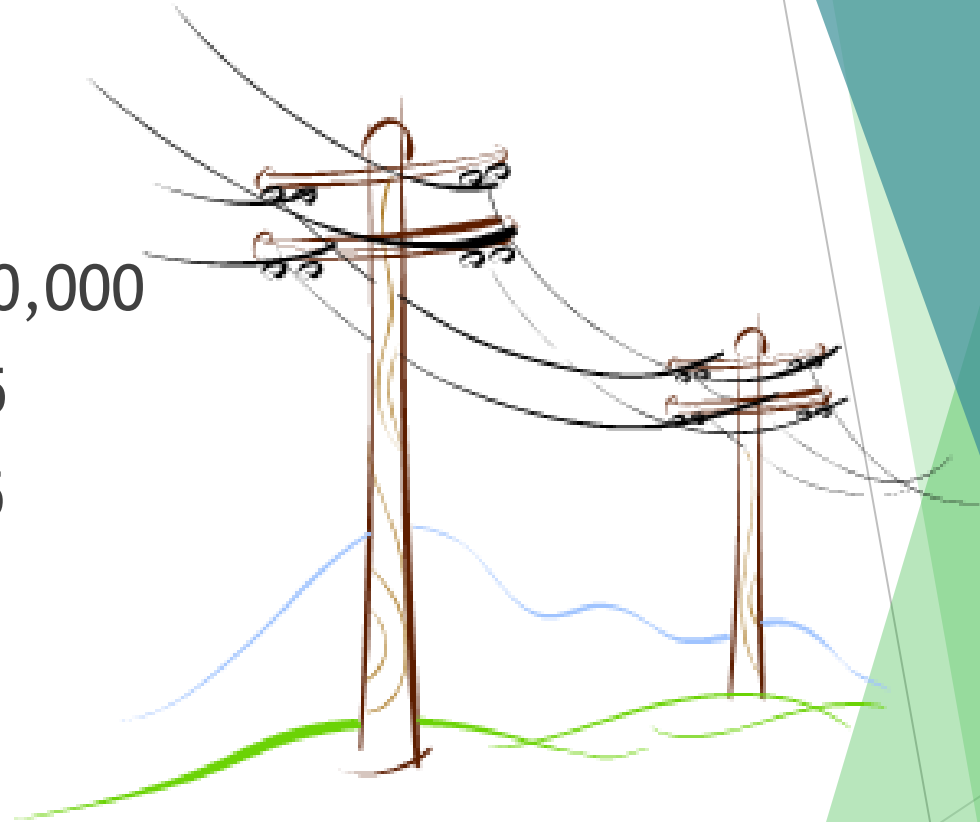
Damaged Steam line

Storm Damage



Summary

- ▶ Authorized Annual Budget: \$17,900,000
- ▶ Expected Projections: \$25,774,045
- ▶ Projected Exceedance: \$7,874,045



RESOLUTION 2024-07-XX

Capital Project Exceedance: AE – Electric Annuals

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

WHEREAS, the previously approved budget for Capital Project AE – Electric Annuals was \$17,900,000; and

WHEREAS, the projected final total cost for Capital Project AE – Electric Annuals is \$25,774,045, should the project be completed; and

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

WHEREAS, BWL staff and management recommends that the Capital Project AE – Electric Annuals projected spending be approved; and

RESOLVED, the BWL Board of Commissioners approve projected spending for Capital Project AE – Electric Annuals with a projected final total cost of \$25,774,045.

Motion by Commissioner _____, **Seconded** by Commissioner _____, to approve the Resolution for the Capital Project Exceedance: AE – Electric Annuals at a Board meeting held on _____.



2024 Rate Strategy

Finance Committee Overview
July 16, 2024



OPENING REMARKS

General Manager
Dick Peffley

BWL MISSION

Provide a safe, reliable and affordable utility experience through public ownership, climate consciousness and innovative strategies.



AGENDA

Industry Trends – Utility Financial Solutions (UFS)

Background & Overview

Rate Recommendations

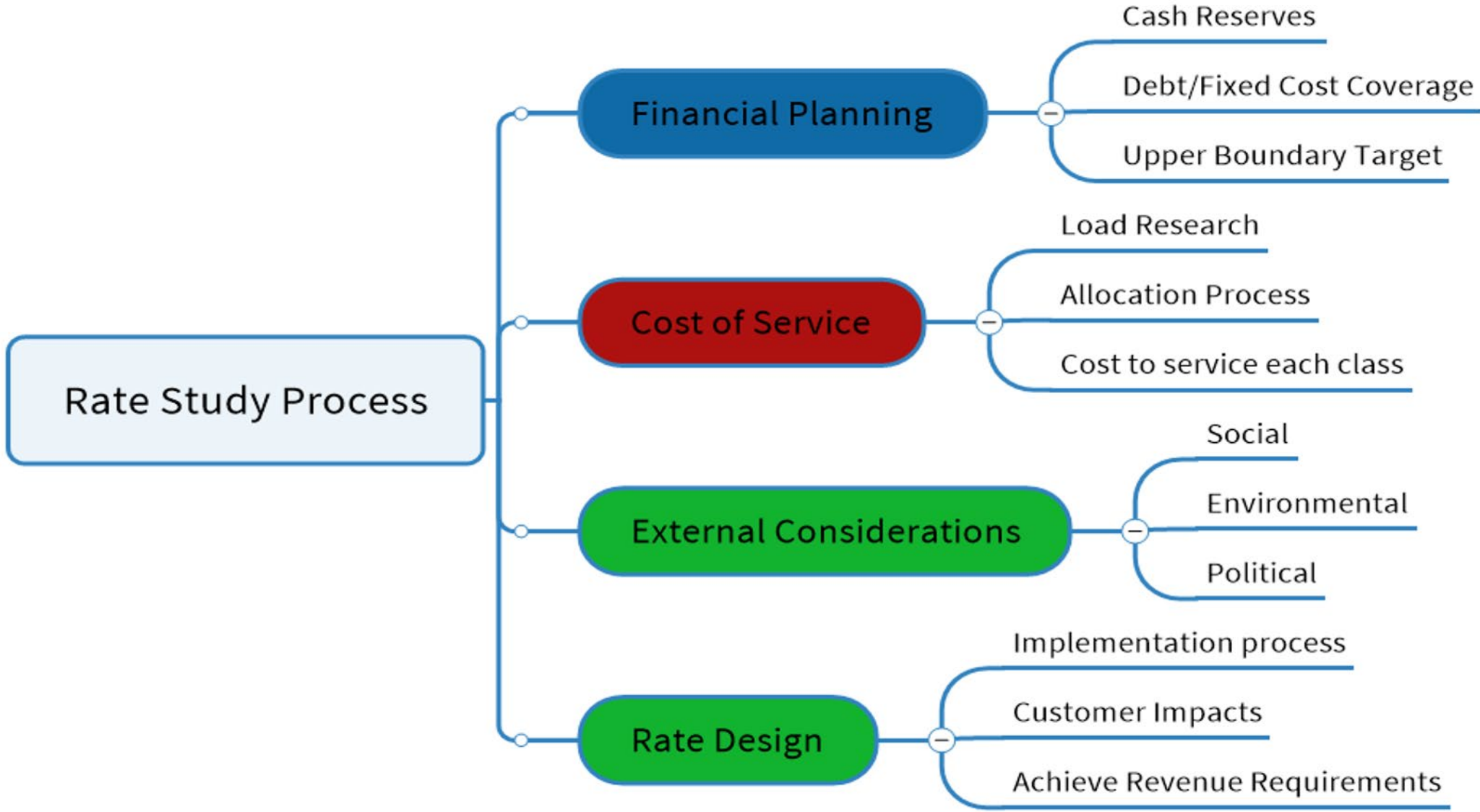


RATE DESIGN REFINEMENT & INDUSTRY TRENDS



UTILITY FINANCIAL SOLUTIONS, LLC

- International consulting firm providing cost of service and financial plans and services to utilities across the country, Canada, Guam and the Caribbean
- Instructors for cost of service and financial planning for APPA, speakers for organizations across the country, including AWWA
- Hometown Connections preferred vendor



OPPORTUNITIES AND CHALLENGES

▪ Decarbonization of Energy

- Energy Efficiency – Objective reduce customers reliance on electricity
- Solar and Wind – Objective Carbon free Intermittence Resource
- Energy Storage – Objective system resiliency
- Transportation – Objective Reduce reliance on oil
- Electrification of buildings – Objective reducing Natural Gas

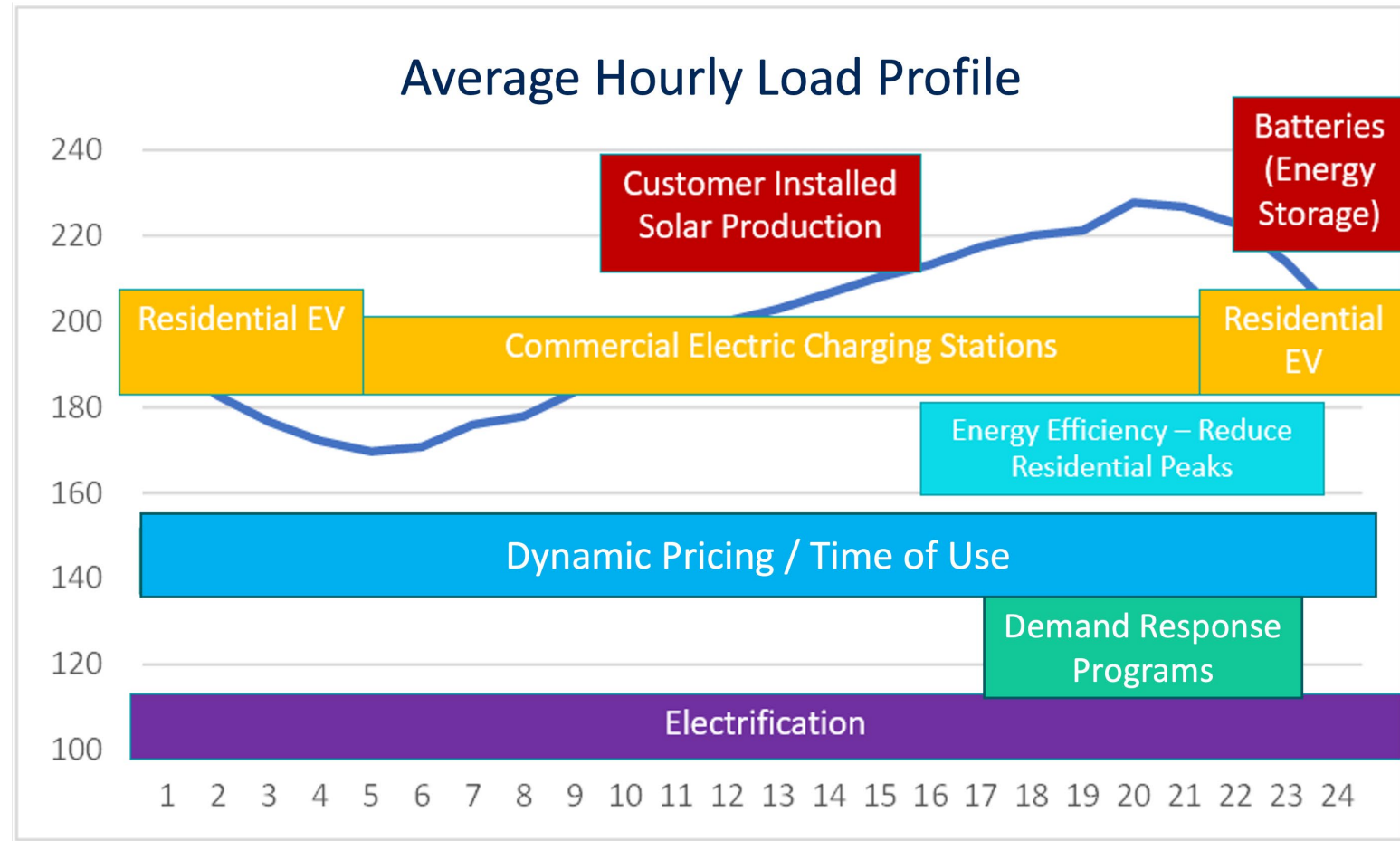
Other Considerations:

- Grid Stability

How can utilities take advantage of these opportunities?

TECHNOLOGY IMPACTS ON HOURLY SYSTEM USAGES

MW



EV: Electric Vehicle

Hours

INDUSTRY TREND IN RATE DESIGNS

Standby Service

Dynamic Pricing
(Time of Use)
AMI required

Moving toward cost
based customer
charges

Commercial EV
Rates

Revisions to
tradition net
metering programs

BWL is keeping up with the electric industry rate trends and has implemented or offered each of these rates to customers

WHAT IS A CUSTOMER CHARGE?

A customer charge recovers cost for connection to grid regardless of energy consumption

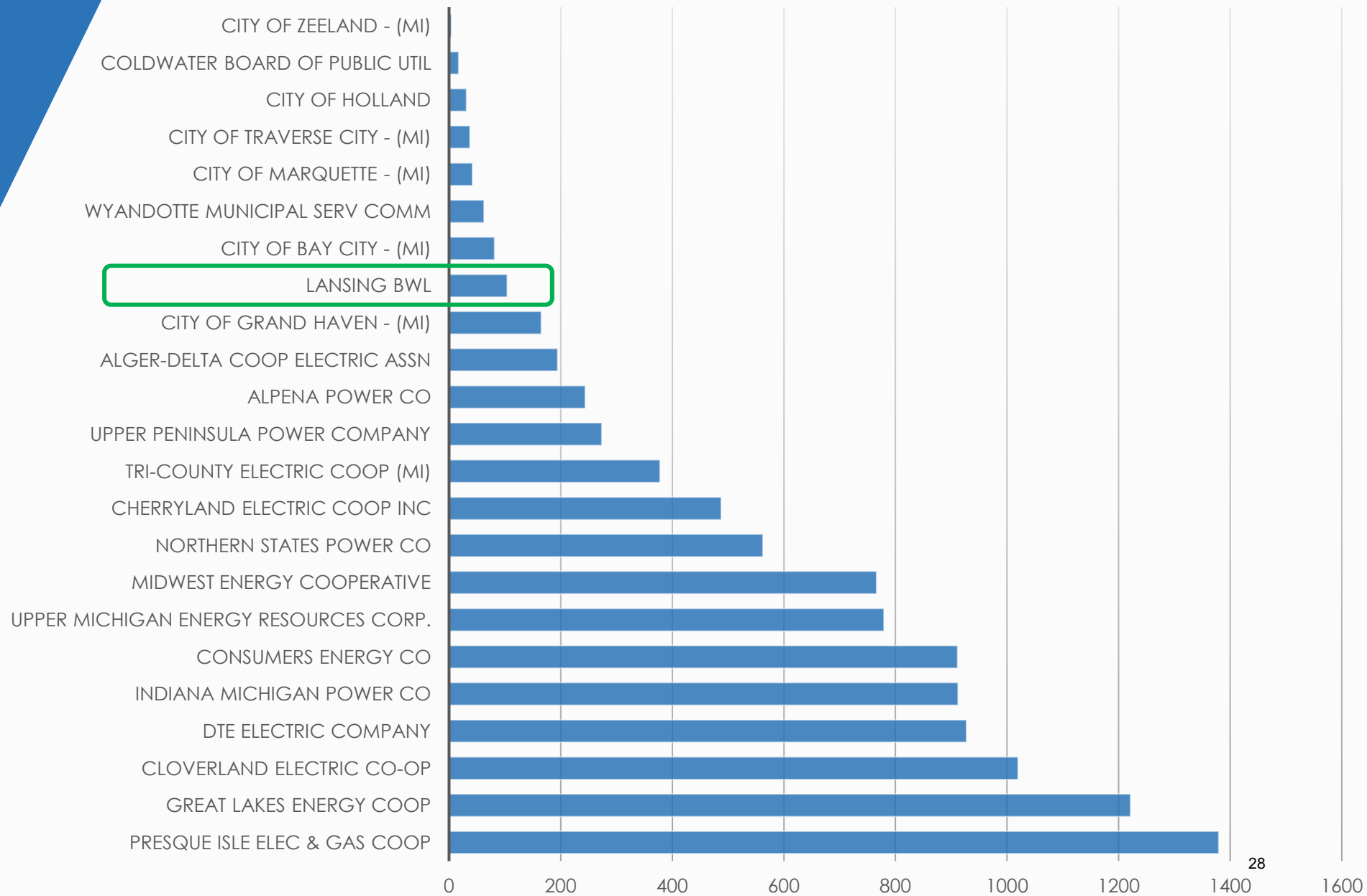
- Meter operation, AMI maintenance, and AMI replacement costs
- Billing costs
- Customer service department
- Service into customers facilities
- **Portion of distribution system**
 - Cost to get a wire from the sub-transmission system to customer
 - Based on minimum sizing (If all customers only used a single kWh)

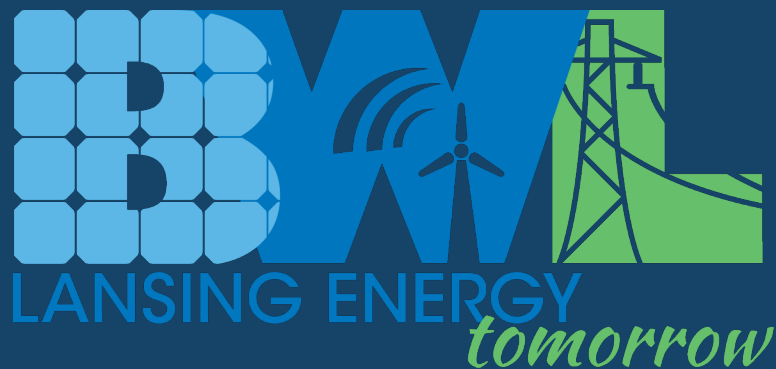


BACKGROUND & OVERVIEW

**BWL IS 8TH IN
THE STATE IN
RELIABILITY**

System Average Interruption Index with Major Event Days



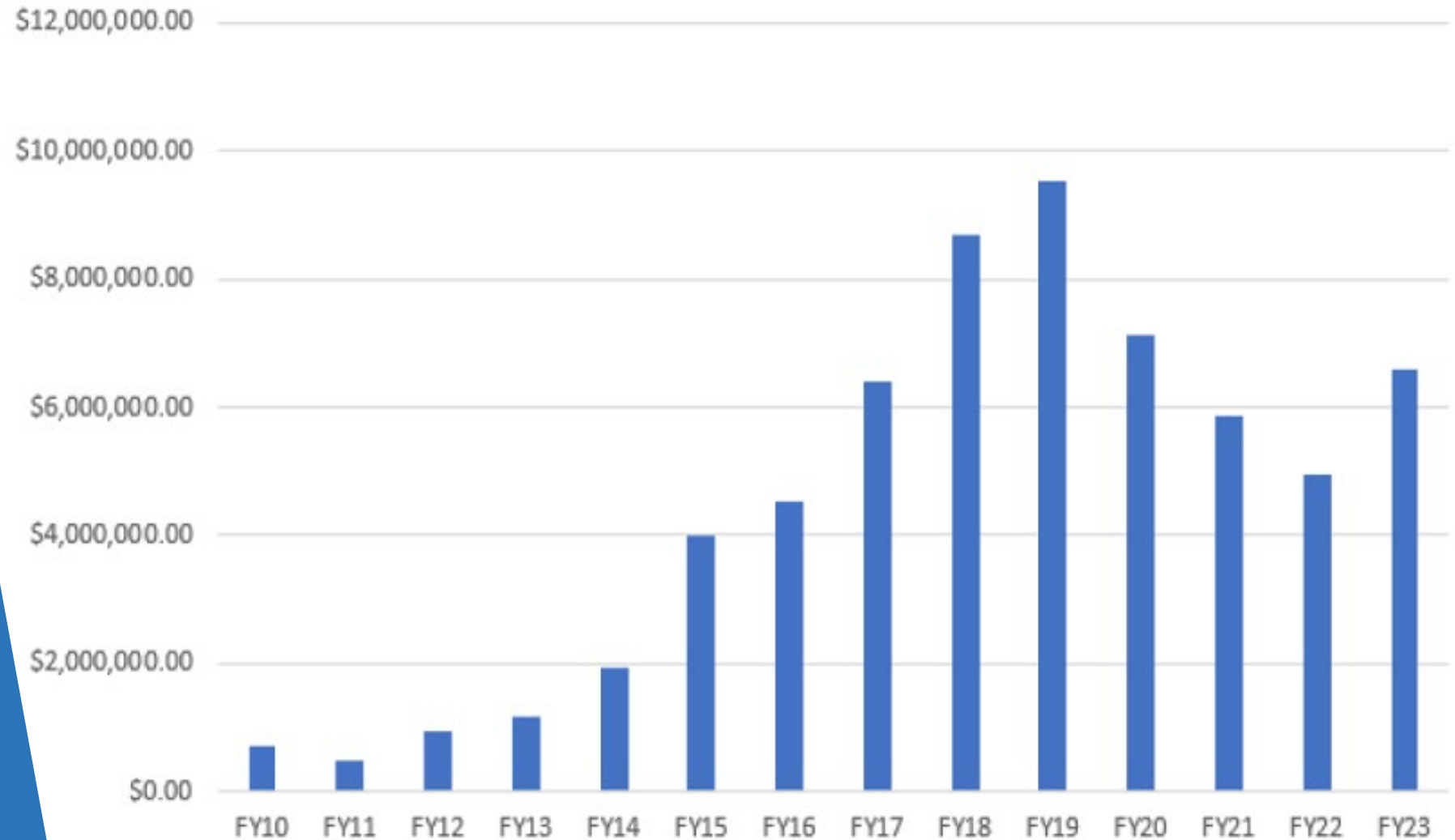


These projects will increase reliability for over 25,000 customers who have been served by our aging Eckert substation.

| Lansing Energy Tomorrow Projects | Total Cost | Remaining Cost |
|--|-----------------------|-----------------------|
| South Reinforcement 138 kV Transmission Line | \$ 42,265,018 | \$ 36,668,446 |
| Wise Substation | \$ 31,580,209 | \$ 7,417,468 |
| Wise Rd. Distribution | \$ 2,586,534 | \$ 2,107,167 |
| Stanley Substation | \$ 36,236,982 | \$ 36,100,000 |
| Rundle Substation | \$ 25,822,077 | \$ 23,209,057 |
| LGR Substation | \$ 21,743,073 | \$ 19,110,000 |
| Total | \$ 160,233,893 | \$ 124,612,138 |

BWL continues to diligently monitor and preemptively manage vegetation in the service territory to maintain infrastructure and reliability

VEGETATION MANAGEMENT



FY: Fiscal Year

CYBER RESILIENCY AND TECHNOLOGY INVESTMENTS

- \$3,000,000 deployed towards operational cyber security and network hardening, compliance, and outside service support,
- \$360,000 of additional hardening to comply with *NERC-CIP regulatory requirements.
- \$4,200,000 deployed towards corporate cyber security, hardening, compliance, and third-party surveillance support
- NEW Human Resource Information System implementation underway



*NERC-CIP: North American Electric Reliability, Critical Infrastructure Protection

CYBER THREATS

UTILITY DIVE

Renewable energy, microgrids face growing cyber threats: FBI

Cyberattackers are using more new malware, attacking critical infrastructure

Between January and March of this year, there was a 40% increase in new malware over the previous reporting period, with critical infrastructure the biggest target, according to BlackBerry's Global Threat Intelligence Report.

City governments in Michigan, New York face shutdowns after ransomware attacks

CYBERATTACK ON FLORIDA CITY'S WATER SUPPLY

Strengthening grid resilience in an era of extreme weather: The role of IoT

IoT technologies not only offer predictive capabilities but also bring substantial economic and operational benefits that can help to transform utility management.



(Smart city and communication network concept. Image courtesy i23f)

Contributed by Phil Beecher, President & CEO of WI-SCN Alliance.

The relentless increase in extreme weather events poses significant challenges to critical infrastructure worldwide, especially the U.S. power grid, which continues to find itself in a

The next cyber battleground: why utilities must do more to secure critical infrastructure

Getty Images



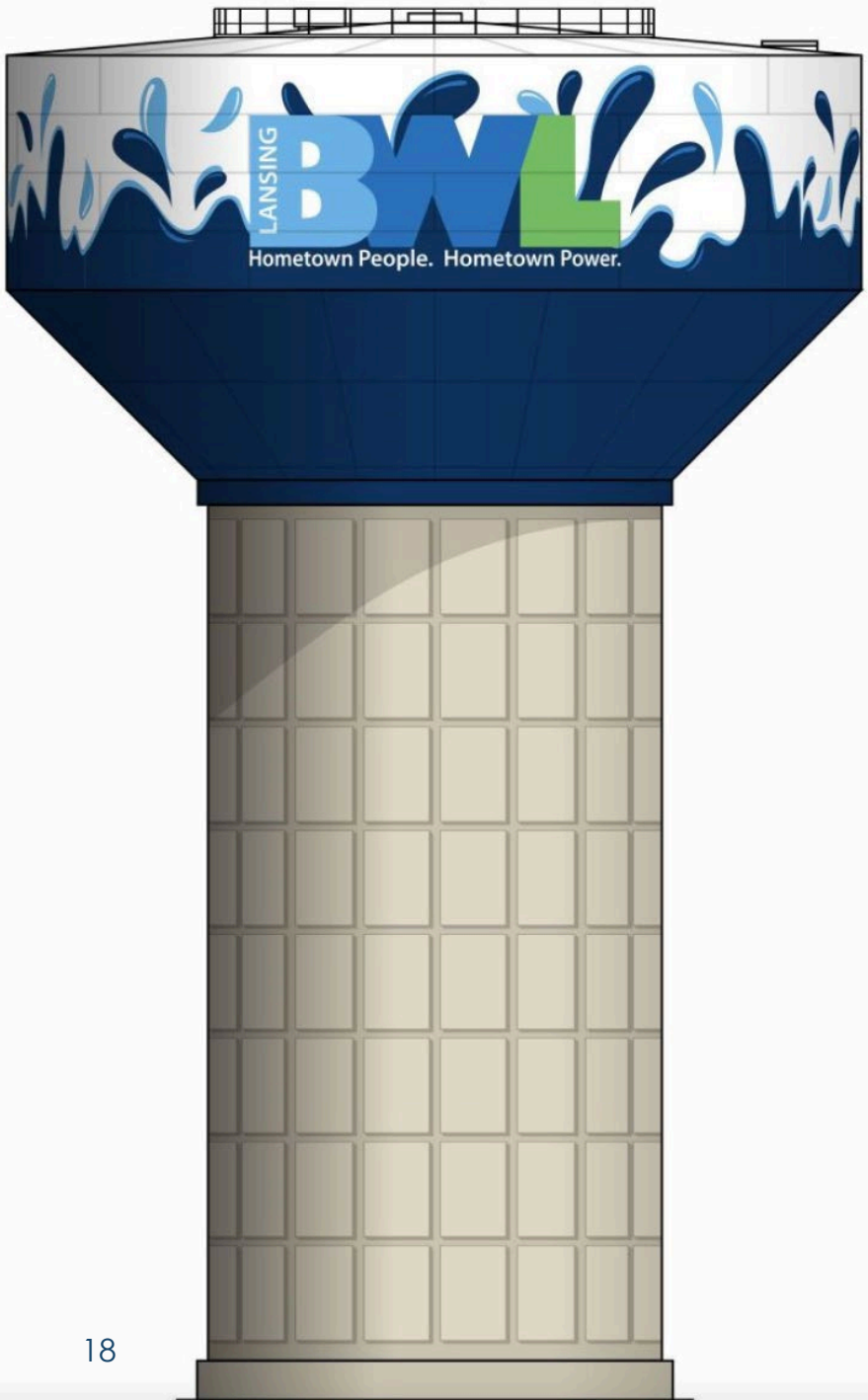
These systems, and others that monitor critical infrastructure for other potential infrastructure risks, are increasingly depending on operational technology (OT) and internet of things (IoT) devices to control and monitor critical infrastructure systems — and threat actors have taken notice.

Residents in Washtenaw County township advised not to drink water due to security breach at water treatment plant

(CBS DETROIT) — Residents in Washtenaw County's Sylvan Township are being told not to drink the water because of an incident at the water treatment plant, officials said.

In a social media post shared Monday, the Washtenaw County Sheriff's Office said a "do not drink water advisory" has been issued for residents who receive their municipal water supply from the Sylvan Township Water Treatment Plant.

In the afternoon, the sheriff's office [released an update](#) and said officials discovered a security breach occurred at the water treatment plant Monday morning, which included the tampering of the control system.



NATIONALLY RECOGNIZED WATER

Lead Free Since 2016

- BWL removed its last active lead service line and became the second utility in the nation to remove all lead service lines

Water Main Replacement

- BWL projects to replace 8 miles of water mains by Fiscal year 2029

Elevated Water Storage

- Increase operational efficiency and reliability. Estimated completion October 2025

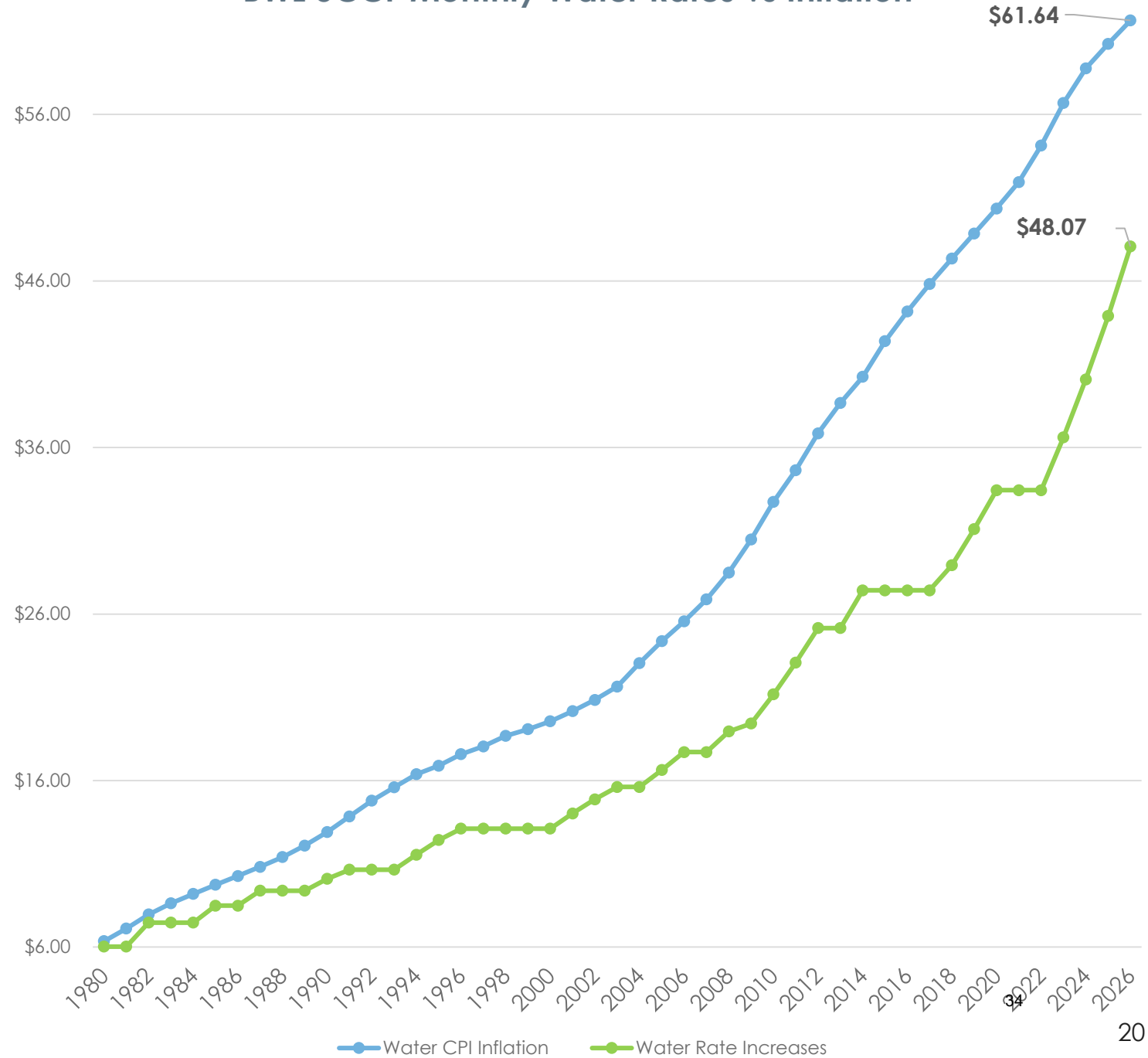


WATER AFFORDABILITY

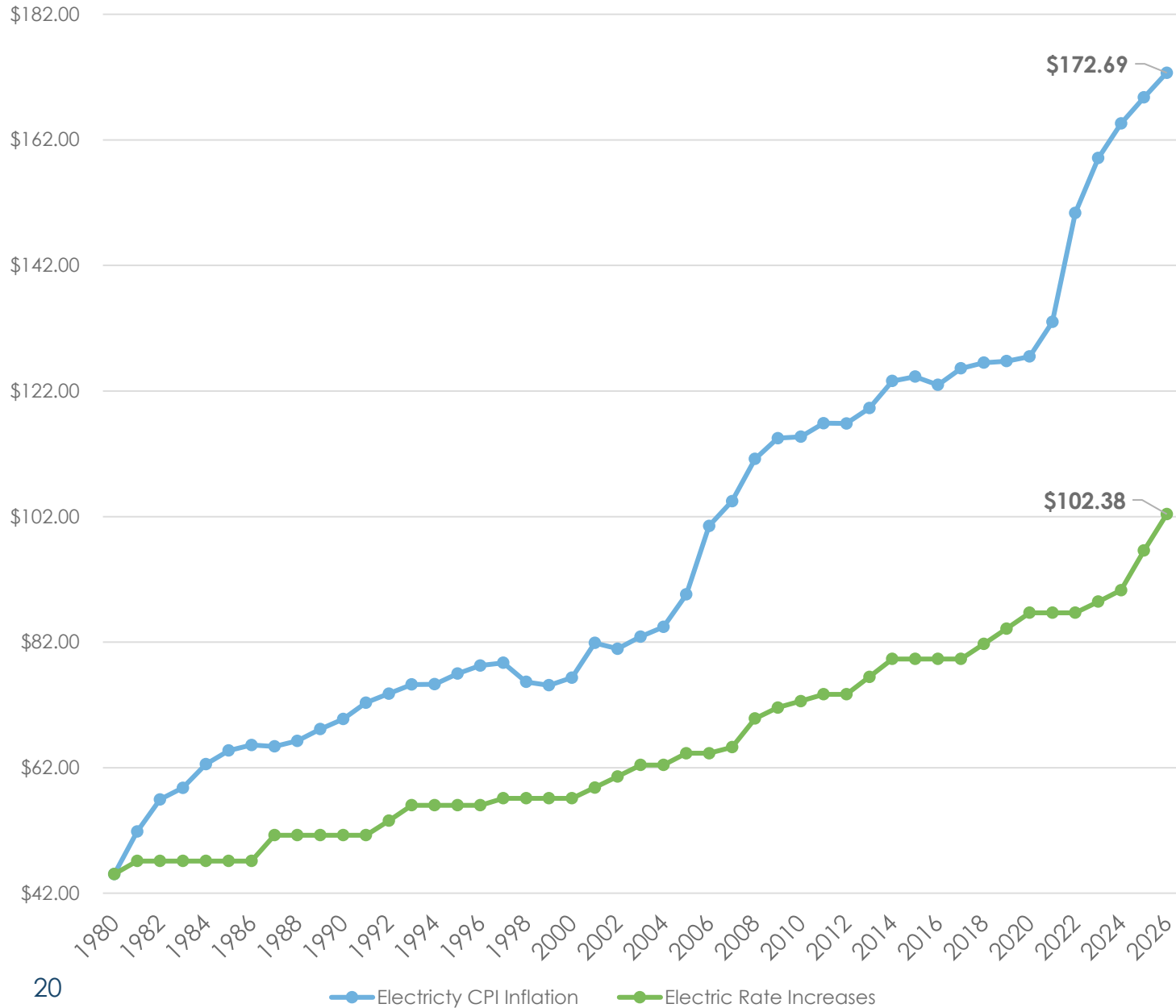
BWL rates are 18% less than inflation

CPI: Consumer Price Index

BWL 5CCF Monthly Water Rates vs Inflation



BWL 500 kWh Monthly Electric Rates vs Inflation

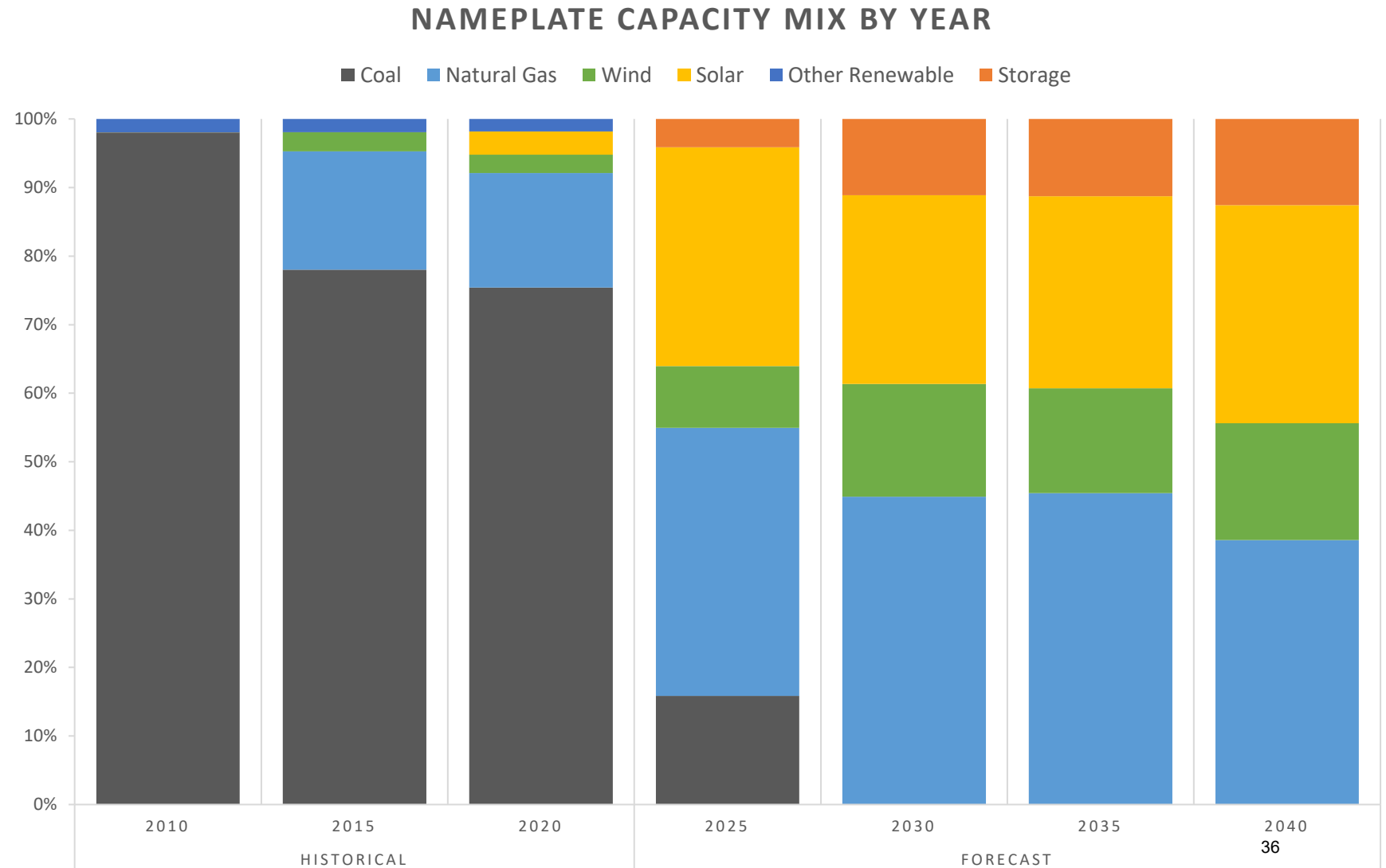


ELECTRIC AFFORDABILITY

BWL rates are 41% less than inflation

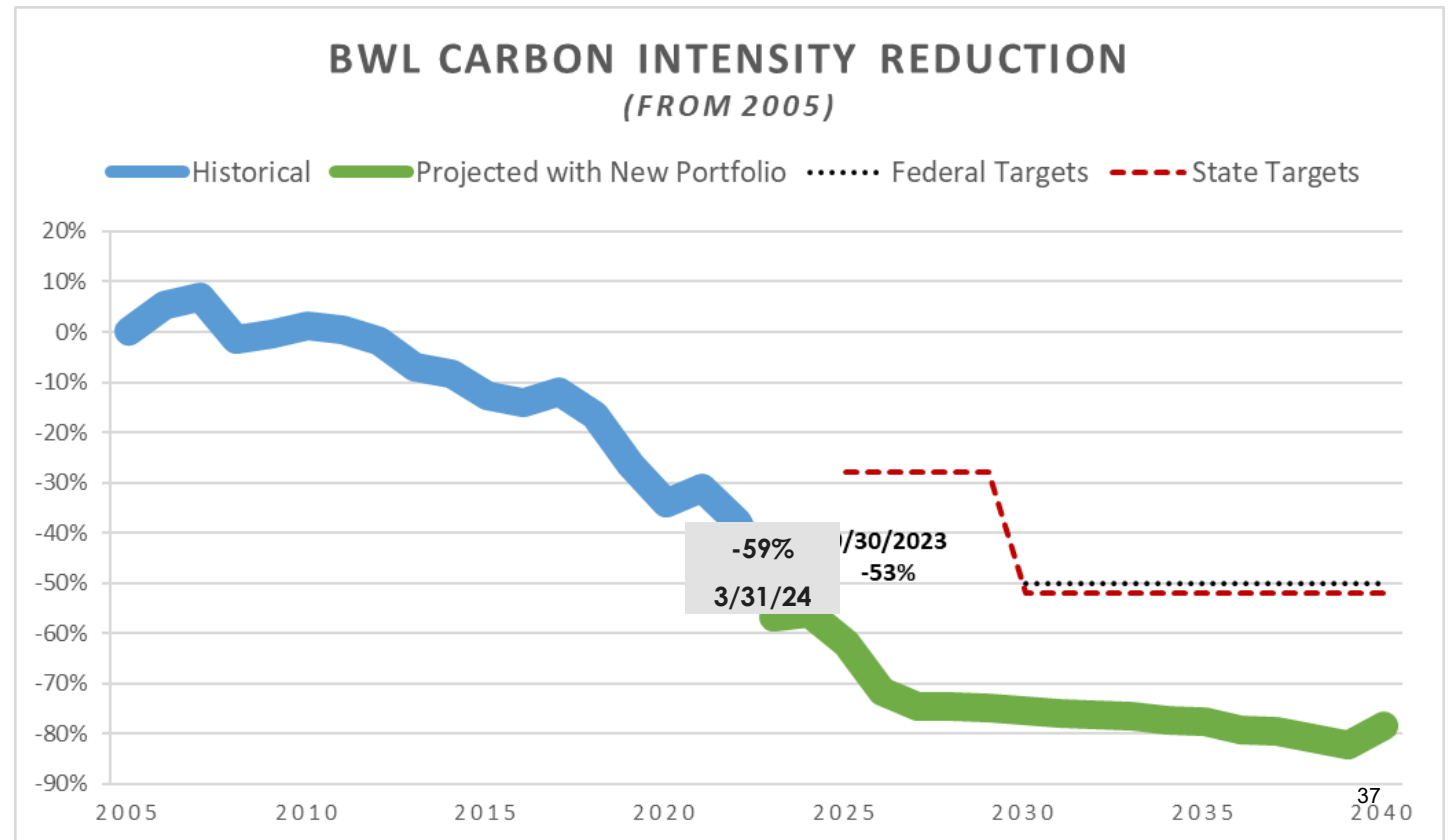
RESOURCE PORTFOLIO – MOVING AWAY FROM COAL

- The BWL no longer burns coal to produce electricity at its owned generation facilities
- Belle River's announced transition to natural gas in 2025 and 2026 will eliminate coal from the BWL's portfolio



CARBON REDUCTION -IN LINE WITH STATE LAW

- As of March 31, 2023, BWL had reduced its carbon intensity by 59%* from 2005 levels
- BWL's success in reducing its carbon footprint is expected to exceed targets established by the MI Healthy Climate Plan and additional targets announced by the federal government



* 59% reduction in carbon intensity, measured as emissions divided by total MWh

Secured \$12M of MPSC grants and expecting to maximize IRA available tax credits of approximately \$40M

| Clean Energy Projects | Total Projected Cost |
|-----------------------|-----------------------|
| RICE | \$ 171,200,000 |
| Battery | \$ 34,000,000 |
| Local Solar | \$ 108,195,516 |
| Total | \$ 313,395,516 |

RICE: Reciprocating Internal Combustion Engine
IRA: Inflation Reduction Act

Resolution 2000-1-3

RATE MAKING PRINCIPLES

Rates shall be established at a level that will enable the Board of Water & Light (BWL) to meet its mission of serving the Greater Lansing area by **providing high quality utility services, reliably, at the lowest reasonable cost.**

The BWL shall **recover the costs of serving its customers through its rates.** Rates and charges should be sufficient to cover all O & M expenses, payment to the city, depreciation expense, and a reasonable return on the BWL's capital investment.

The return on the BWL's capital investment shall be sufficient to **provide cash flow for debt service, bond coverage, and capital improvements.**

Board of Water & Light rates should **reflect as closely as possible the goals and desires of its customers.**

Those who benefit from the BWL's services should pay for those services.

Rates for each class of customer should, as nearly as practicable, **reflect the cost of providing service** to that class.

Each utility managed by the BWL should be self-supporting. No utility should subsidize any other utility.

Rates should be **reviewed annually** and **adjusted as deemed necessary** to **maintain the financial integrity** of the BWL and **minimize the financial impact on our customers.**

Rates shall be established and implemented according to Lansing City Charter, Section 5-205, refers to the BWL authority to set just and reasonable rates and defines the public hearing process. 39



RATE RECOMMENDATIONS

AVERAGE RATE INCREASE PERCENTAGE BY UTILITY

| | Feb 2018 | Feb 2019 | Feb 2020 | Mar 20'- Oct 22' | Nov 2022 | Nov 2023 | Oct 2024 | Oct 2025 |
|----------------------|-------------|-------------|-------------|---------------------|-------------|-------------|-------------|-------------|
| Electric | 3.00% | 3.00% | 3.00% | 0.00% | 2.05% | 2.05% | 6.95% | 6.00% |
| Water | 5.50% | 7.50% | 7.50% | 0.00% | 9.50% | 9.50% | 9.23% | 9.16% |
| Steam | 5.50% | 7.50% | 7.50% | 0.00% | 9.95% | 9.95% | 9.75% | 9.75% |
| Chilled Water | 0.00% | 0.00% | 0.00% | 0.00% | 4.00% | 4.00% | 2.00% | 1.50% |



**Deferred rate increases for 31 months (Feb 2020 To Nov 2022)
to help customers struggling financially due to COVID-19**

ELECTRIC: CUSTOMER IMPACTS

| Customer Class | Current Monthly Bill | Proposed Monthly Bill 10/1/24 | FY 25 \$ Change | Proposed Monthly Bill 10/1/25 | FY 26 \$ Change |
|---------------------------|----------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| Residential | | | | | |
| 500 kWh | \$ 88.80 | \$ 95.82 | \$ 7.02 | \$ 102.38 | \$ 6.56 |
| Small Commercial | | | | | |
| 750 kWh | \$ 144.92 | \$ 151.62 | \$ 6.70 | \$ 157.35 | \$ 5.73 |
| 1,500 kWh | \$ 253.85 | \$ 266.25 | \$ 12.40 | \$ 276.70 | \$ 10.45 |
| Midsize Commercial | | | | | |
| 2,500 kWh | \$ 598.34 | \$ 440.96 | \$ (157.38) | \$ 467.17 | \$ 26.21 |
| 15,000 kWh | \$ 7,553.84 | \$ 8,868.25 | \$ 1,314.41 | \$ 9,480.55 | \$ 612.30 |
| Large Commercial | | | | | |
| 400,000 kWh | \$ 48,929.53 | \$ 51,810.15 | \$ 2,880.62 | \$ 54,430.97 | \$ 2,620.82 |
| 650,000 kWh | \$ 66,077.68 | \$ 70,158.29 | \$ 4,080.61 | \$ 73,654.11 | \$ 3,495.82 |

kWh: Kilowatt Hours
FY: Fiscal Year

WATER: CUSTOMER IMPACTS

| Customer Class | Current Monthly Bill | Proposed Monthly Bill 10/1/24 | FY 25 \$ Change | Proposed Monthly Bill 10/1/25 | FY 26 \$ Change |
|--------------------------------|----------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| Residential | | | | | |
| 2 CCF (5/8" or 3/4" Meter) | \$ 23.66 | \$ 25.01 | \$ 1.35 | \$ 26.32 | \$ 1.31 |
| 5 CCF (5/8" or 3/4" Meter) | \$ 39.92 | \$ 43.85 | \$ 3.93 | \$ 48.07 | \$ 4.22 |
| General Service | | | | | |
| 365 CCF (4" Meter) | \$ 2,256.41 | \$ 2,500.96 | \$ 244.55 | \$ 2,774.71 | \$ 273.75 |
| Lawn Sprinkling Service | | | | | |
| 15 CCF (5/8" or 3/4" Meter) | \$ 83.30 | \$ 96.20 | \$ 12.90 | \$ 110.75 | \$ 14.55 |
| 15 CCF (2" Meter) | \$ 87.73 | \$ 100.63 | \$ 12.90 | \$ 115.18 | \$ 14.55 |

STEAM: CUSTOMER IMPACTS

| Customer Class | Current Monthly Bill | Proposed Monthly Bill 10/1/24 | FY 25 \$ Change | Proposed Monthly Bill 10/1/25 | FY 26 \$ Change |
|------------------------|----------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| General Service | | | | | |
| 20,000 lbs | \$ 494.14 | \$ 542.88 | \$ 48.74 | \$ 594.27 | \$ 51.39 |
| 50,000 lbs | \$ 1,204.54 | \$ 1,323.39 | \$ 118.85 | \$ 1,451.87 | \$ 128.48 |
| 200,000 lbs | \$ 4,756.54 | \$ 5,225.93 | \$ 469.39 | \$ 5,739.85 | \$ 513.92 |
| 800,000 lbs | \$ 19,678.54 | \$ 21,620.57 | \$ 1,942.03 | \$ 23,753.71 | \$ 2,133.14 |
| 1,000,000 lbs | \$ 24,652.54 | \$ 27,085.44 | \$ 2,432.90 | \$ 29,758.33 | \$ 2,672.89 |

CHILLED WATER: CUSTOMER IMPACTS

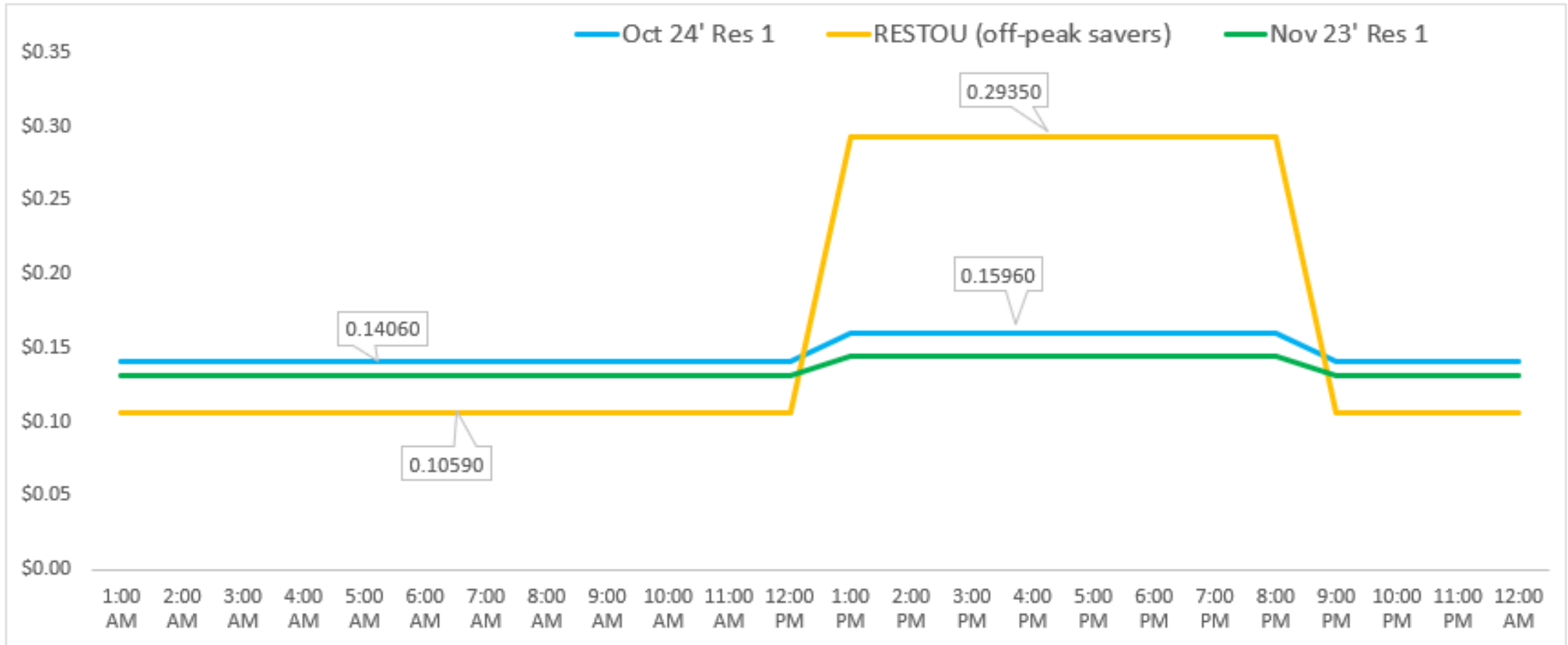
| Customer Class | Current Monthly Bill | Proposed Monthly Bill 10/1/24 | FY 25 \$ Change | Proposed Monthly Bill 10/1/25 | FY 26 \$ Change |
|----------------------|----------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| General Service | | | | | |
| Billing Demand (165) | | | | | |
| Ton-hr (27,500) | \$ 11,795.85 | \$ 12,145.10 | \$ 349.25 | \$ 12,503.98 | \$ 358.88 |

RESIDENTIAL IMPACT: ELECTRIC & WATER

| Customer Class | Current Monthly Bill | Proposed Monthly Bill 10/1/24 | FY 25 \$ Change | Proposed Monthly Bill 10/1/25 | FY 26 \$ Change |
|--|----------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| Residential Electric Service (500 kWh) | \$ 88.80 | \$ 95.82 | \$ 7.02 | \$ 102.38 | \$ 6.56 |
| Residential Water Service (5 CCF) | \$ 39.92 | \$ 43.85 | \$ 3.93 | \$ 48.07 | \$ 4.22 |
| Total Monthly Utility Bill | \$ 128.72 | \$ 139.67 | \$ 10.95 | \$ 150.45 | \$ 10.78 |

RESIDENTIAL RATES: SUMMMER EXAMPLES

Price per kWh



| | Oct 24' Res 1 | RESTOU (off-peak savers) | Nov 23' Res 1 |
|--------------|---------------|--------------------------|---------------|
| Differential | 14% | 177% | 10% |

RES1 VS RESTOU MONTHLY BILLINGS

(500 KWH RESIDENTIAL CUSTOMER)

Based on Peak Hours kWh Usage/Percentage

Time of Use Rates

On-Peak & Off-Peak Hours

On-Peak: 1:00PM to 8:00PM

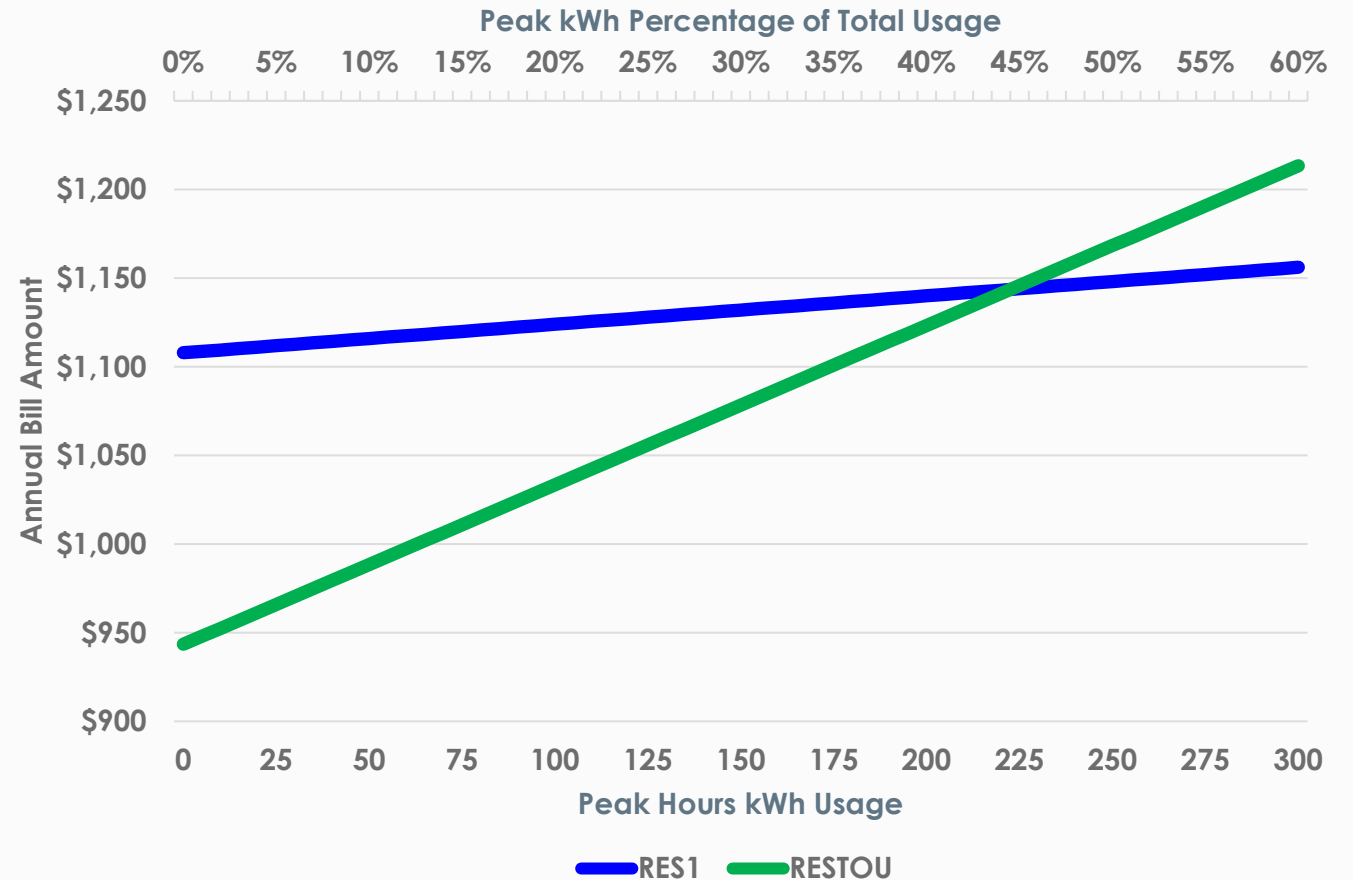
Off-Peak: 8:00PM to 1:00PM

Weekends & NERC/MISO holidays are considered Off-Peak

Annual On-Peak vs Off-Peak Hours

On-Peak 20% of annual hours

Off-Peak: 80% of annual hours



RATE STRUCTURE: ELECTRIC RESIDENTIAL



Time of Use (TOU)

- Standard Rate for Residential Customers
- Gradually Increasing On-Peak
Off-Peak Differential



Off-Peak Savers

- **Optional**
- Higher Pricing On-Peak, Lower Pricing Off-Peak
- Larger Opportunity for Savings Off-Peak



Electric Vehicle Time of Use Rate

- **Optional Second Meter**
- For instances when EV charger cannot be approved without whole-home electrical upgrades

CURRENT RATE STRUCTURE: ELECTRIC COMMERCIAL & INDUSTRIAL



RENEWABLE ENERGY RATE OPTIONS

Distributed Generation Rate

- Customers Pay for Electricity Usage
- Customers Get Levelized Payments for Excess Production

GreenWise

- Purchase up to 100% of Electricity from Renewable Sources





ELECTRIC VEHICLE RATE OPTIONS

Residential
Rate 22

RESTOU

Level 2
Community
Charging

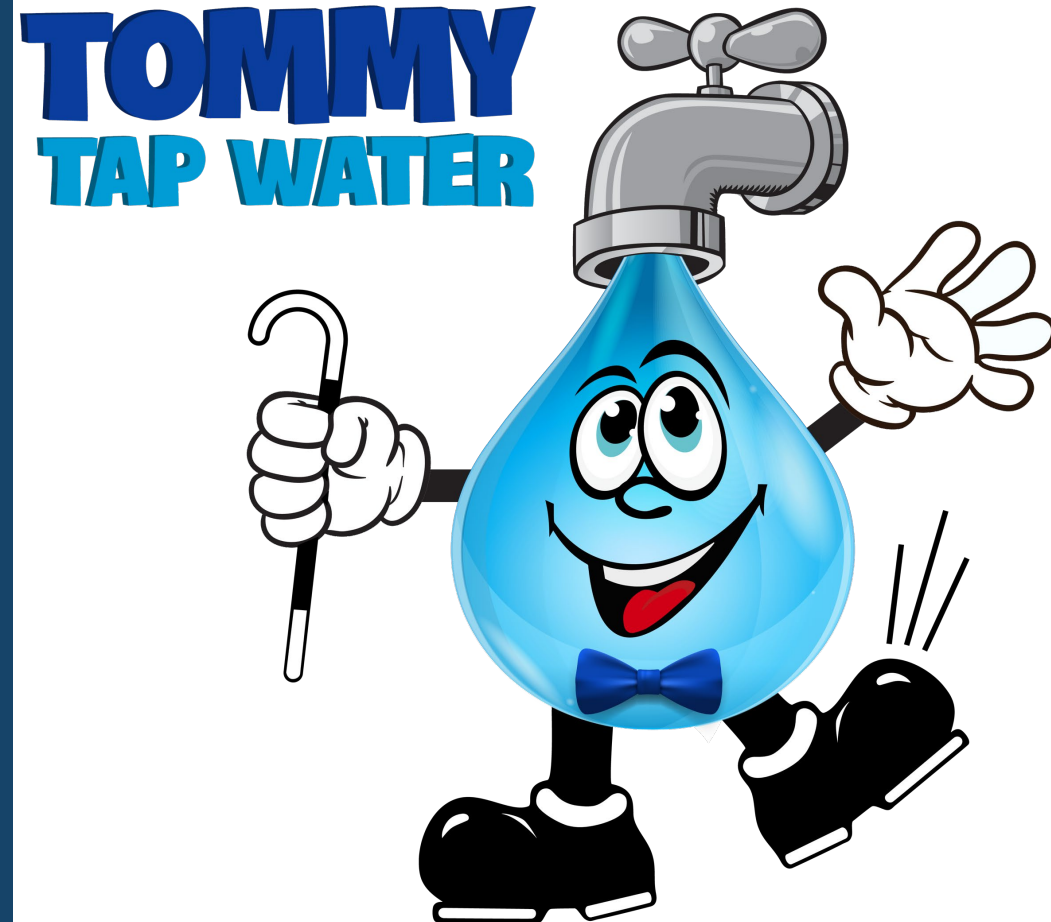
Level 3 Fast
Charging

WATER RATE UPDATES

Affordable Water Rate

- All residential customers receive a reduced rate for first 2 CCFs (1,500 gallons) per month
- Low use water customers will receive a lower rate increase than average

CCF: 100 Cubic Feet



CUSTOMER FOCUSED SUPPORT



Community Resource Fairs

- \$3,000,000 was brought in to pay down past due utility bills from coalition partners since August 2021 inception
- BWL hosting next fair 9/25/24 2-6pm at Alfreda Schmidt Community Center

Public Act 95

- BWL low-income customers eligible for funds starting 11/1/2023
- BWL customers received over \$1,500,000 via utility payment assistance from November 2023-April 2024, an increase of \$1,170,000 compared to prior winter

Rate Designs

- Time-of-Use rates put customers in control of their bill
- Reduced rate for first 2 CCF of water helps keep the cost down for low use water customers

Flexible Payment Plans

- Levelized Payment Plan
- Payment Kiosks and Boxes, Auto Pay, Pay-by-Phone, Online, By-Mail, Haco Customer Service Center

CLOSING

Current Strategic Plan Priority

Rate Initiative

FY2021- FY2025 STRATEGIC PLAN

Priority 1, Strategy 2:

Provide innovative and cost-effective utility products, services and programs that leverages technology

Continued use of AMI & CIS technologies to refine time of use rate design

Priority 3, Strategy 1:

Enhance and promote policies, practices and standards that support carbon reduction and a healthy eco-system

Renewable energy rates & encouraging increased customer solar size

Priority 3, Strategy 3:

Support emerging beneficial electrification opportunities

Electric vehicle rates

Priority 3, Strategy 4:

Enhance sustainable water operations

Tiered water rates

Priority 4, Strategy 2:

Apply industry benchmarks and standards reflecting best practices

Moved rate design towards industry best practice with time of use and tiered water rates

Priority 5, Strategy 1:

Continue to refine our rate structure for existing and new customers

Modified MC1 to accommodate low usage customers and widened on/off peak RES1

Priority 5, Strategy 4:

Identify, evaluate, and implement revenue diversification opportunities

Not only attracting new customers, but also includes diversifying revenue from variable rates to fixed prices to properly reflect BWL's fixed costs

REMAINING TIMELINE

| Date | Event |
|-----------------------|---------------------------------------|
| July 16, 2024 (Today) | Finance Committee Presentation |
| August 5, 2024 | Public Notice |
| August 20, 2024 | Rate Hearing – Special Board Meeting |
| August 27, 2024 | Rate Approval – Special Board Meeting |
| October 1, 2024 | Year 1 Changes Implemented |
| October 1, 2025 | Year 2 Changes Implemented |



QUESTIONS?

LANSING
BWL

HOMETOWN PEOPLE. HOMETOWN POWER.



RETIREMENT PLAN COMMITTEE (RPC)

Investment Activity Updates for Finance Committee: 7/16/2024

Investment Activity Update

- VEBA - Portfolio Rebalancing – Real Assets (ongoing)
 - Market value changes have brought the real assets back within the target range however due to the extended time requirements from liquidity constraints associated with rebalancing real assets, RPC will continue forward with the rebalancing until the target value of 15% has been reached.



RETIREMENT PLAN COMMITTEE (RPC)

Administrative Activity Updates for Finance Committee: 7/16/2024

Investment Activity Update

- Defined Contribution 401(a) & Deferred Compensation 457(b) Plans
 - RPC voted to add the Vanguard 2070 Target Date Fund to the fund line-up
 - RPC voted to replace two of the plan mutual fund options (Mainstay Winslow Large Cap Growth and MassMutual Small Cap Growth) with their Collective Investment Trust (CIT) alternatives which serves to provide equivalent investment options at a lower fee
 - A timeline and implementation plan for execution of these changes is in development

Administrative Activity Update

- Defined Benefit Plan (DB) & Voluntary Employee Benefit Administration Plan (VEBA)
 - DB & VEBA – The compliance assessment has been completed.
 - No significant compliance concerns were identified however several recommendations were made to help ensure continued compliance and enhance plan documentation. These recommendations included:
 - Developing and providing summary plan descriptions to participants
 - Updating and restating plan documents to include relevant regulatory changes, amendments, and administrative procedures that have become effective since the last restatement
 - Confirmation that development of an RPC charter will further enhance the governance structure of the RPC
 - The estimated completion date for all assessment recommendations is July 31, 2024.
- RPC Charter
 - A proposed charter has been approved by the RPC and is being recommended to the Board for adoption

Administrative Activity Update

- Defined Contribution & Deferred Compensation Plans
 - No significant activity.

Glossary

- **DB** Defined Benefit Plan - The plan is a noncontributory single-employer defined benefit pension plan for employees of the BWL. The Defined Benefit Plan, by resolution of the Board of Commissioners, was closed to employees hired subsequent to December 31, 1996, and a defined contribution plan was established for employees hired after December 31, 1996. Effective December 1, 1997, all active participants in this plan were required to make an irrevocable choice to either remain in this plan (defined benefit) or move to the newly established defined contribution plan. Those participants who elected to move to the defined contribution plan received lump-sum distributions from this plan that were rolled into their accounts in the newly established defined contribution plan. Of the 760 employees who were required to make this election, 602 elected to convert their retirement benefits to the newly established defined contribution plan.
- **VEBA** Voluntary Employee Benefit Administration - The Post-Retirement Benefit Plan is a single-employer defined benefit healthcare plan. The Plan provides medical, dental, and life insurance benefits. Substantially all of the BWL's employees may become eligible for healthcare benefits and life insurance benefits if they reach normal retirement age while working for the BWL.
- **DC 401(a)** Defined Contribution Plan - The Defined Contribution Plan covers substantially all full-time employees hired after December 31, 1996. In addition, 602 employees hired before January 1, 1997 elected to convert their retirement benefits from the Defined Benefit Plan effective December 1, 1997. The Defined Contribution Plan operates as a money purchase pension plan and meets the requirements of Sections 401(a) and 501(a) of the IRC of 1986, as amended from time to time. For employees hired before January 1, 1997, the BWL is required to contribute 15.0% of the employees' compensation. For employees hired after January 1, 1997, the BWL is required to contribute 9.5% of the employees' compensation. In addition, the BWL is required to contribute 3.0% of the employees' compensation for all employees who are not eligible to receive overtime pay and 0.5% of the employees' compensation for all nonbargaining employees. No participant contributions are required.
- **DC 457(b)** Deferred Compensation Plan - The Deferred Compensation Plan covers substantially all full-time employees. The BWL contributes \$1,000 on behalf of each participant as of the first pay period of each year. Additionally, the BWL will provide a 100% match for each participant's contributions annually, up to \$1,500.
- **ASA** Administrative Services Agreement – The administrative services agreement is an agreement between the BWL and the VEBA trust regarding the payment of VEBA plan benefits. The agreement calls for the BWL to handle the processing of benefit payments and allows for the reimbursement for payment from the VEBA trust if certain conditions are satisfied. These conditions include both funding status and investment performance measures.

**LANSING BOARD OF WATER AND LIGHT
RETIREMENT PLAN COMMITTEE
CHARTER**

A. PURPOSE

The Lansing Board of Water and Light Board of Commissioners (the “Board”) established the Retirement Plan Committee (the “RPC”)¹ and delegated authority to it to perform certain functions with regard to certain retirement plans maintained by the Lansing Board of Water and Light (“BWL”). This Retirement Plan Committee Charter (“Charter”) outlines the scope of such authority, establishes guidelines for operation of the RPC and summarizes the responsibilities of the RPC. The Board intends for this Charter to provide clarity, help mitigate fiduciary liability for RPC members and strengthen accountability and governance.

B. COVERED PLANS

The BWL retirement plans covered by this Charter (collectively, the “Covered Plans”) shall include the following:

1. Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (“DC Plan 1”);
2. Lansing Board of Water and Light Defined Contribution Plan and Trust 2 (“DC Plan 2”);
3. Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust (“457 Plan”);
4. Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions (“DB Plan”); and
5. Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light (“VEBA”).

C. RPC AUTHORITY

The RPC holds all the powers and authority with regard to the Covered Plans that are delegated to it by the Board, the BWL General Manager, and Trustees of the Covered Plans, as applicable, including the powers and authority delegated in this Charter. The RPC may exercise such power and authority except as otherwise limited by this Charter, the BWL’s governing documents, the Michigan Public Employee Retirement System Act (Public Act 314 of 1965), as amended, and other applicable laws of the State of Michigan. It is expressly noted that the Covered Plans are governmental plans that are not subject to the Employee Retirement Income Security Act of 1974, as amended from time to time (“ERISA”). However, the BWL intends for the RPC to follow ERISA as a best practice, when appropriate.

¹ Resolution 2016-09-03.

The Board delegates and/or has delegated to the RPC, directly or indirectly, certain responsibilities with regard to the Covered Plans. Such responsibilities include (1) performing all functions that are described in the section below that is titled “Responsibilities relating to Specific Plans,” and (2) making all decisions and taking all actions that it deems necessary in the course of performing said functions. The Board does not delegate and has not delegated to the RPC the authority or responsibilities described in the section below that is titled “Responsibilities reserved by the Board.”

D. RPC STRUCTURE

1. Membership. The RPC shall be comprised of the following seven (7) individuals²:

- i. The BWL Chief Financial Officer;
- ii. The BWL Executive Director of Human Resources;
- iii. The BWL Director of Accounting, Finance and Planning;
- iv. A voting member of the Board of Commissioners;
- v. A second voting member of the Board of Commissioners;
- vi. A BWL retiree chosen by the retirees according to a selection process determined by the retirees; and
- vii. An IBEW Local Union 352 bargaining employee chosen by the IBEW Local Union 352 according to a selection process determined by the IBEW Local Union 352.

2. Voting. All RPC members noted above except for the second voting member of the Board shall be voting members of the RPC. Notwithstanding the foregoing, such second voting member of the Board may vote where the first voting Board member is absent or if a tie-breaker vote is necessary.

3. Appointment, Resignation and Removal. Each RPC member must be officially appointed by the Board and sign an acceptance of appointment and a Code of Conduct and Ethics statement prior to serving on the RPC. Each RPC member shall serve until his or her resignation or removal from the RPC. An RPC member may resign by providing 30 days’ advance written notice of such resignation to the RPC Chair. An RPC member may be removed by the Board upon 30 days’ advance written notice. Any vacancy in RPC membership must be filled as soon as practicable.

4. No Additional Compensation. RPC members shall not receive compensation for services performed on behalf of the RPC, other than the compensation that is earned in their official capacity, if employed by the BWL.

² Resolution 2023-05-08.

5. Meetings.

- i. The RPC members shall schedule and attend all regular meetings, which shall occur at least four times during each calendar year. The Chair of the RPC may call additional special meetings of the RPC, as necessary, to examine and consider such other matters related to RPC responsibilities.
- ii. Meetings may be held in person, by video, and/or telephone conference call.
- iii. The Chair of the RPC shall conduct all meetings, and the RPC members may establish other rules for the conduct of meetings.
- iv. The presence of a majority of RPC members shall constitute a quorum at each RPC meeting and will be sufficient to conduct the business of the RPC. Actions of the RPC shall be authorized by a vote of a majority of the RPC members present at a meeting at which a quorum is present.
- v. Any action which may be taken at an RPC meeting may be taken without such meeting if consent in writing, setting forth the action so taken, is signed by all of the then serving voting members of the RPC. Such consent and signatures may be provided by electronic means, including email and electronic signature.
- vi. Individuals who are not RPC members may be called upon to attend and/or present information at RPC meetings, including Human Resources staff, independent external consultants, vendors and legal counsel.
- vii. The agenda for each RPC meeting shall be determined by the Chair of the RPC in consultation with other members of the RPC, as appropriate. The agenda shall be circulated, along with any supplemental materials, in advance of each meeting to all RPC members.
- viii. Minutes of each RPC meeting will be taken by the individual assigned by the BWL Finance department. Meeting minutes shall be circulated to all RPC members for review prior to the next meeting. At the beginning of each meeting, the proposed Minutes of the most recent meeting will be considered for approval.

6. Meeting Topics. Items to be discussed at RPC meetings should include the topics listed below, as appropriate, at least once per year. Some topics may be included as standing items on the RPC meeting agenda.

- i. Presentation and discussion of service provider reports
- ii. Review of expenses paid by the Covered Plans
- iii. Consideration of updates/amendment to the Covered Plans
- iv. Review of compliance concerns
- v. Monitoring and discussion of investment performance
- vi. Monitoring and discussion of service providers
- vii. Review of participant communication process
- viii. Attention to reporting requirements (to Board and others)

7. Expectations of Individual RPC Members. Prior to beginning service on the RPC, each potential RPC member must review and agree to the Code of Conduct and Ethics statement, included as Appendix A. Thereafter, each RPC member must participate in RPC business in a manner consistent with his or her fiduciary duties. Expectations for RPC members include the items listed below, among others.

- i. Familiarize oneself with the provisions of the Covered Plans and the identities of their service providers.
- ii. Attend RPC meetings.
- iii. Engage with RPC business during each meeting by reviewing meeting materials in advance, asking questions and voting in an informed manner.
- iv. Abide by relevant fiduciary duties as a best practice, including the following:
 1. acting solely in the interests of participants and beneficiaries of the Covered Plans with the exclusive purpose of providing benefits and defraying reasonable expenses;
 2. acting with the same care, skill, prudence, and diligence under the circumstances that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;
 3. following the terms of the Covered Plan documents (unless inconsistent with applicable law);
 4. considering facts and circumstances when making investment decisions, such as the diversification of investments held by the Covered Plans, liquidity and current returns of investments relative to cash flow requirements and projected returns of investments relative to funding objectives;
 5. complying with all applicable reporting and disclosure requirements;
 6. refraining from any activity that would violate the Code of Conduct and Ethics; and
 7. paying only reasonable plan expenses.
- v. Attend ongoing training and educational events required or recommended by the RPC Continuing Education Policy, included as Appendix B.

8. Expectations for Specific RPC Members.

- i. **Chair.** The BWL CFO shall act as Chair of the RPC and be the authorized signatory of all agreements and documents signed on behalf of the RPC, except as otherwise approved by the RPC.
- ii. **Point of Contact with Board.** The CFO shall be the RPC's point of contact with the Board.

- iii. **Day-to-Day Activities.** The BWL Director of Accounting, Finance and Planning shall have authority to conduct all day-to-day investment activities within the scope of the RPC's authority.

9. Indemnification. The BWL indemnifies and holds harmless each member of the RPC from and against all liability of any kind, including, without limitation, court costs, attorneys' fees and other expenses that arise from any legal or administrative proceeding of any kind that is brought by any person, entity or government agency in connection with the RPC's discharge of its duties relating to the Covered Plans; provided, however, that indemnification shall not apply with regard to any proceeding in which an RPC member is found to have been grossly negligent or to have violated a law or committed a crime.

E. RPC RESPONSIBILITIES

1. General Responsibilities.

- i. **Administrative.** The RPC is generally tasked with completing the following administrative activities on behalf of a Covered Plan if so indicated in the section below entitled "Responsibilities relating to Specific Plans": appointing and removing the plan administrators; facilitating administration of the plans and communications to participants and plan administrators; developing and applying written procedures pursuant to which it administers the plans; and taking all actions necessary to carry out the terms of the plans (collectively, "Administrative Responsibilities"). Current materials relating to the RPC's Administrative Responsibility are listed and included in Appendix C.
- ii. **Investment.** The RPC may be tasked with completing the following investment-related activities on behalf of a Covered Plan if so indicated in the section below entitled "Responsibilities relating to Specific Plans": overseeing investment of plan assets; selecting, monitoring and evaluating investment options; reviewing, on at least an annual basis, the acceptability of the universe of investment options offered to participants; working with the plan investment advisor to ensure investment options remain compliant with the criteria used to initially select them for inclusion in the plan, the Investment Policy Statement and other criteria as appropriate; and other responsibilities assigned to the RPC in an Investment Policy Statement (collectively, "Investment Responsibilities"). Current materials relating to the RPC's Investment Responsibility are listed and included in Appendix D.
- iii. **Amendment.** The RPC may be tasked with completing the following amendment-related activities on behalf of a Covered Plan if so indicated in the section below entitled "Responsibilities relating to Specific Plans": altering plan design to address changes in business needs and industry practice and modifying the plans for compliance purposes due to changes

- in the law (collectively, “Amendment Responsibilities”). Current documents for the Covered Plans are listed and included in Appendix E.
- iv. **Service Providers.** The RPC may be tasked with the engagement, monitoring and evaluating of consultants and other service providers that it determines to be necessary or helpful in its performance of responsibilities (the “Service Provider Responsibilities”). Current service providers for the Covered Plans are listed in Appendix F.
 - v. **Reporting.** The RPC may be tasked with the following reporting-related activities with regard to the Covered Plans: submit quarterly custodian fund account statements for the Covered Plans to the Board on a quarterly basis; provide bi-monthly reports to the BWL finance committee regarding the significant administrative and investment activities of the Covered Plan; provide quarterly pension reports to the Board that include asset balance and investment performance information; and provide a comprehensive annual report to the Board that includes audit reports, actuarial reports, investment performance reports, a dashboard summary and a narrative summary of the Covered Plan’s significant activities for the year (collectively, the “Reporting Responsibilities”).

2. Responsibilities relating to Specific Plans.

- i. **DC Plan 1.** The RPC has been delegated the following responsibilities with regard to DC Plan 1: Administrative Responsibilities, Investment Responsibilities, Amendment Responsibilities, Service Provider Responsibilities and Reporting Responsibilities.³
- ii. **DC Plan 2.** The RPC has been delegated the following responsibilities with regard to DC Plan 2: Administrative Responsibilities, Investment Responsibilities, Service Provider Responsibilities and Reporting Responsibilities. The RPC does not have Amendment Responsibilities or authority concerning DC Plan 2.⁴
- iii. **457 Plan.** The RPC has been delegated the following responsibilities with regard to the 457 Plan: Administrative Responsibilities, Investment Responsibilities, Amendment Responsibilities, Service Provider Responsibilities and Reporting Responsibilities.⁵
- iv. **DB Plan.** The RPC has been delegated the following responsibilities with regard to the DB Plan: Administrative Responsibilities, Investment

³ See Resolution 2018-11-03; Resolution 2018-11-08; Resolution 2019-11-01; Memorandum to RPC from Richard R. Peffley dated 11/26/2019; Resolution 2020-05-04; Memorandum to RPC from Richard R. Peffley dated 09/21/2020; and Resolution 2023-05-08.

⁴ See Resolution 2018-11-04; Resolution 2018-11-09; Resolution 2019-11-01; Memorandum to RPC from Richard R. Peffley dated 11/26/2019; Resolution 2020-05-03; and Resolution 2023-05-08.

⁵ See Resolution 2018-11-05; Resolution 2018-11-11; Resolution 2019-11-01; Memorandum to RPC from Richard R. Peffley dated 11/26/2019; Resolution 2020-05-04; Memorandum to RPC from Richard R. Peffley dated 09/21/2020; and Resolution 2023-05-08.

Responsibilities, Amendment Responsibilities, Service Provider Responsibilities and Reporting Responsibilities.⁶

- v. **VEBA.** The RPC has been delegated the following responsibilities with regard to VEBA: Administrative Responsibilities, Investment Responsibilities, Amendment Responsibilities, Service Provider Responsibilities and Reporting Responsibilities.⁷

3. Responsibilities reserved by the Board. The Board has reserved all rights and responsibilities related to freezing, funding and terminating any of the Covered Plans. Additionally, the Board has reserved all Amendment Responsibilities related to DC Plan 2.

F. Further Delegation and Assignment by RPC.

1. Delegation of Fiduciary Responsibilities. The RPC is a fiduciary of the Covered Plans because it engages in the following types of fiduciary responsibilities (that have been delegated to it): (i) exercising discretionary authority and control with regard to the management of such plans, (ii) exercising authority and control with regard to the management or disposition of plan assets; and (iii) possessing discretionary authority and responsibility with regard to the administration of such plans. Except as provided below, the RPC is authorized and permitted to further delegate fiduciary responsibilities to other individuals or entities, provided that it maintains oversight of such responsibilities and tasks.

2. Assignment of Non-Fiduciary Responsibilities. The RPC is authorized and permitted to assign non-fiduciary responsibilities and tasks to other individuals, entities, teams and/or departments at the BWL, provided that it maintains oversight of such responsibilities and tasks. The distinction between fiduciary and non-fiduciary tasks generally relates to the ability to use discretion when completing the activity. Fiduciary tasks involve the exercise of discretion, and non-fiduciary tasks follow specific instructions, rules, guidelines or procedures. Examples of non-fiduciary activities include the following:

- i. Applying rules to determine eligibility for participation or benefits
- ii. Calculating service and compensation credits for benefits
- iii. Preparing employee communications material
- iv. Maintaining participants' service and employment records
- v. Preparing reports required by government agencies
- vi. Calculating benefits
- vii. Providing orientation to new participants and advising participants of their rights and options under the plan
- viii. Collecting contributions and applying contributions as provided in the plan

⁶ See Resolution 2016-09-03; Resolution 2019-11-01; Memorandum to RPC from Richard R. Peffley dated 11/26/2019; Resolution 2020-05-04; Memorandum to RPC from Richard R. Peffley dated 09/21/2020; Resolution 2020-05-05; Resolution 2020-05-11; and Resolution 2023-05-08.

⁷ See Resolution 2016-09-03; Resolution 2019-11-01; Memorandum to RPC from Richard R. Peffley dated 11/26/2019; Resolution 2020-05-04; Memorandum to RPC from Richard R. Peffley dated 09/21/2020; Resolution 2020-05-06; Resolution 2020-05-10; and Resolution 2023-05-08.

- ix. Preparing reports concerning participants' benefits
- x. Processing claims
- xi. Making recommendations to others for decisions with respect to plan administration

This Charter has been approved by the Board effective as of _____, 2024 by Resolution #XXXX-XX-XX.

Lansing Board of Water and Light

By: _____

Its: Chairperson of the Board

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APPENDIX A

Code of Conduct and Ethics Statement

I have reviewed a copy of the Code of Conduct and Ethics approved by the Board of Commissioners (Resolution #xx-xx-xxxx) and agree to its terms when serving as a member of the RPC.

Dated: _____

RPC Member

DRAFT

APPENDIX B

Retirement Plan Committee

Continuing Education Policy

This Continuing Education Policy is intended to satisfy the requirements of the Michigan Public Employee Retirement System Act (Public Act 314 of 1965), as amended. When appointed to the RPC, RPC members agree to perform significant activities on behalf of the Covered Plans. As a result, they must be knowledgeable of and understand their obligations with respect to applicable state and federal laws, rules, regulations, expectations and other matters relating to their duties. Below is a list of topics for which the RPC should seek out educational opportunities for its members. An RPC member is expected to participate in educational opportunities each year, which may include educational updates provided during regular RPC meetings.

1. Design and features of Covered Plans
2. Applicable laws and regulations
3. Delegations of authority and responsibility
4. Governance and proper process
5. Investment selection and retention
6. Administrative responsibilities
7. Fiduciary duties and liability
8. Litigation trends

RPC members may receive reasonable reimbursement for all actual and necessary travel and registration expenses incurred to attend RPC educational opportunities in accordance with BWL's Travel & Expense policy.

APPENDIX C

RPC Administrative Documents

- VEBA: Administrative Procedures Related to Premium Sharing for Health Benefits, Prescription Drug Benefits, and Life Insurance (December 2020, updated January 2023), as amended.
- VEBA: Administrative Procedures Related to Cash-in-Lieu and Medicare Part B Reimbursement Benefits (January 2023, updated January 2024), as amended.

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APPENDIX D

RPC Investment Documents

- DC Plan 1: Investment Policy Statement – Lansing Board of Water and Light Defined Contribution Plan and Trust 1 (May 2021), as amended.
- DC Plan 2: Investment Policy Statement – Lansing Board of Water and Light Defined Contribution Plan and Trust 2 (May 2021), as amended.
- 457 Plan: Investment Policy Statement – Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust (May 2021), as amended.
- DB Plan: Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions- Statement of Investment Policies, Procedures and Objectives (January 2024), as amended.
- VEBA: Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light - Statement of Investment Policies, Procedures and Objectives (September 2023), as amended.

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APPENDIX E

Plan Documents for Covered Plans

- DC Plan 1: Lansing Board of Water and Light Defined Contribution Plan and Trust 1
 - Adoption Agreement
 - Plan Document
 - Trust Agreement
- DC Plan 2: Lansing Board of Water and Light Defined Contribution Plan and Trust 2
 - Adoption Agreement
 - Plan Document
 - Trust Agreement
- 457 Plan: Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust
 - Adoption Agreement
 - Plan Document
 - Trust Agreement
- DB Plan: Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions
 - Plan Document
 - Trust Agreement
- VEBA: Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light
 - Plan Document
 - First Amendment
 - Second Amendment
 - Trust Agreement

APPENDIX F

Service Providers for Covered Plans

- DC Plan 1: Lansing Board of Water and Light Defined Contribution Plan and Trust 1
 - Third Party Administrator - Nationwide Financial Services
 - Custodian – Nationwide Trust Company
 - Advisor – CapTrust
 - Auditor – Baker Tilly US, LLP

- DC Plan 2: Lansing Board of Water and Light Defined Contribution Plan and Trust 2
 - Third Party Administrator - Nationwide Financial Services
 - Custodian – Nationwide Trust Company
 - Advisor - CapTrust

- 457 Plan: Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust
 - Third Party Administrator - Nationwide Financial Services
 - Custodian – Nationwide Trust Company
 - Advisor - CapTrust

- DB Plan: Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees' Pensions
 - Custodian – Northern Trust Company
 - Advisor – Asset Consulting Group, LLC
 - Actuary - Benassist Retirement Consulting, LLC
 - Auditor – Baker Tilly US, LLP
 - Investment Managers:
 - Northern Trust Investments, Inc.
 - JP Morgan Investment Management, Inc.
 - Fidelity Institutional Asset Management Trust Company
 - AEW Core Property Trust, Inc.
 - Marathon Asset Management Limited
 - Atlanta Capital
 - Harding Loevner
 - BlackRock

- VEBA: Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light
 - Custodian – Northern Trust Company
 - Advisor – Asset Consulting Group, LLC
 - Actuary - Benassist Retirement Consulting, LLC
 - Auditor – Baker Tilly US, LLP
 - Investment Managers:
 - Northern Trust Investments, Inc.
 - JP Morgan Investment Management, Inc.
 - FIAM Institutional Funds Manager, Inc.

- AEW Core Property Trust, Inc.
- Blackstone Property Partners L.P.
- Marathon Asset Management Limited
- Atlanta Capital
- Harding Loevner
- BlackRock

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RESOLUTION 2024-XX-XX

Retirement Plan Committee Charter Approval

WHEREAS, the Lansing Board of Water & Light (the “Sponsor” or “BWL”) sponsors the (a) Lansing Board of Water and Light Defined Benefit Plan and Trust for Employees’ Pensions; (b) Post-Retirement Benefit Plan and Trust for Eligible Employees of Lansing Board of Water and Light; (c) Lansing Board of Water and Light Defined Contribution Plan and Trust 1; (d) Lansing Board of Water and Light Defined Contribution Plan and Trust 2; and (e) Lansing Board of Water and Light 457 Deferred Compensation Plan and Trust (collectively the “Plans”); and

WHEREAS, the Sponsor created a committee effective September 27, 2016, named “Retirement Plan Committee” (the “Committee”), to which the Sponsor delegated discretionary authority and responsibility for the discharge of certain Plan-related duties; and

WHEREAS, the BWL Board of Commissioners (“Board”) accepted the audit report from the Internal Auditor recommending modifications to the Committee and its governance – Internal Audit Report FY 2023-3, Retirement Plans and the Retirement Plan Committee (RPC) issued March 27, 2023 (“RPC Audit”), which includes management response; and

WHEREAS, on May 23, 2023, consistent with RPC Audit Recommendation #2, the Sponsor resolved that the Committee shall draft and adopt a formal Charter to be approved by the Sponsor;

WHEREAS, the Committee recommends the Retirement Plan Committee Charter for approval by the Sponsor; and

WHEREAS, the documents and service providers referred to in the Charter appendices may change from time to time, the Committee requests the ability to amend the Charter for these changes as they occur without further approval of the Sponsor.

THEREFORE, it is:

RESOLVED, that the Sponsor approves the Retirement Plan Committee Charter.

FURTHER RESOLVED, that the Committee may amend the Retirement Plan Committee Charter as the documents and service providers referred to in the appendices change from time to time without further approval of the Sponsor.

Motion by Commissioner _____, **Seconded** by Commissioner _____ to approve the Resolution for Retirement Plan Committee Charter Approval at a Board meeting held on _____.

Follow-up to Internal Audit Findings & Recommendations

Finance Committee 7/16/2024



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Resolution #2018-07-05

Board Policy on Follow-up to Internal Audit Findings & Recommendations

Internal Audit

- Perform audits, report findings, provide recommendations, records management responses, verify completion of corrective actions

Management

- Responds to findings and recommendations, identify and execute appropriate and timely corrective actions

Follow-up of Open Management Responses to Audit Findings

- An open action item list is maintained for progress tracking by Internal Control.
- Management reports progress to the Finance Committee semi-annually (Jan. & July)

Open Findings & Recommendations

- **Retirement Plan Committee**

- Draft and adopt a formal Retirement Plan Committee Charter.
 - Per Resolution #2023-05-08, the RPC will draft and adopt a formal charter to be approved by the Board. The RPC has drafted a charter that is on the July finance committee meeting agenda for review and consideration.

Open Findings & Recommendations

FY 2024 Rules and Regulations

- Management should include the electric residential security deposit calculation in the Rules and Regulations schedule/chart of fees and charges.
 - This addition will be made when the Rules and Regulations are next updated in October 2025.
- Management should revise the timing of the Rules and Regulations updates to be included within the BWL's rate strategy. The rate strategy should include a review of all Rules and Regulations fees and charges.
 - This timing change will be made effective with the next review and update of Rules and Regulations planned for October 2025.

Open Findings & Recommendations

FY 2024 Rules and Regulations

- Internal Audit recommends that Legal Affairs lead the Rules and Regulations review process, with the Finance Department being responsible for calculating, overseeing, and approving all fees and charges.
 - The Rules and Regulations update planned for October 2025 will be conducted consistent with this recommendation.
- Management should revise the security deposit interest rate to be updated on October 1 each year to align with the rate strategy.
 - Effective October 2025, the Rules and Regulations and associated fees and charges review and update will coincide with the BWL Rate implementation schedule.

Open Findings & Recommendations

FY 2024 Rules and Regulations

- Management should establish a formal process and procedure for updating revised Rules and Regulation fees and charges in the Joint Use Department customer forms for billing.
 - Management is currently developing a new procedure to define the process for updating revised fees and charges in the Joint Use Department customer forms for billing. The original completion target was June 2024, but it has been extended to December 31st, 2024 to allow further vetting of the solution.
- Management should establish a formal process and procedure to track Renewable Energy Generator Interconnection application fees billed and collected.
 - A formal process and procedure will be created and documented to track Renewable Energy Generator Interconnections applications fees billed and collected. This will be completed by September 2024.

Open Findings & Recommendations

Public Act 95 (PA 95)

Public Act 95 of the Michigan Public Acts of 2013 was enacted creating the Low-Income Energy Assistance Fund (LIEAF) charging the Michigan Department of Health and Human Services with expending money from the fund as provided by the Michigan Energy Assistance Act. The Act allows the Michigan Public Service Commission (MPSC) to annually approve a low-income energy assistance funding. By opting into the 2024 LIEAF, BWL customers in need become eligible for allocated funds starting November 1, 2023.

- The Internal Audit team strongly recommends that management create comprehensive documentation outlining the crucial roles and responsibilities of each entity involved in PA 95, including MDHHS, BWL, and any collaborating agencies. This is a significant step towards ensuring clarity and efficiency in BWL's operations.
 - Management is in the process of developing a document that outlines the crucial roles and responsibilities of each entity involved in PA 95, including MDHHS, BWL, and participating agencies. This will be completed by September 30, 2024.

Closed Findings & Recommendations

FY 2024 Rules and Regulations

- Management should revise the customer security deposit release guidelines. This change would consist of the customer getting credit for the security deposit to their account only if they have had no shutoffs within a 12-month rolling period.
 - Security deposit rules were updated to include release of security deposit to a customer if the customer does not incur a disconnect of Non-Pay (DNP) for 12 consecutive months.
- Management should consider revising the residential water and electric customer security deposit calculation.
 - The BWL most recently reviewed its customer security deposit calculation in conjunction with the implementation of its new customer information system and will continue to evaluate on an ongoing basis with each Rules and Regulations update cycle.

Closed Findings & Recommendations

FY 2024 Rules and Regulations

- Management should document a formal process or procedure for calculating electric and water commercial and industrial security deposits.
 - The process of calculating electric and water commercial or industrial security deposits has been formally documented as-of July 1st, 2024.
- Management should implement a yearly SOC report or control review of all third-part vendors with access to BWL customers' personal identifiable information (PII).
 - SOC report was received and reviewed for the current fiscal year and the vendor was added to our list for annual review.

Thank you!

Internal Audit Status Report

Finance Committee Meeting
July 2024



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Overview

- Audit Progress Report
- Other Items

Audit Updates

- Issued FY 2024 PA 95 Audit Report

FY 2025 Audit Plan



**Awaiting Board of
Commissioner Approval**

Other Items

Internal Auditor Professional Development

- On track to fulfill the professional education requirements for CIA certification.

Departmental Items

- The Global Internal Audit Standards went into effect on January 9, 2024, replacing the previous version of the 2017 International Standards for the Professional Practice of Internal Auditing.
 - Internal audit functions may start adopting the standards now; however, they will officially become effective on January 9, 2025.
- Revised Internal Audit Charter incorporating the new Global Internal Audit Standards was sent to the Board of Commissioners for review and feedback.
- Train the Board of Commissioners and Senior Management on the Global Internal Audit Standards.

FY 2024 PA 95 Audit Results

Presented by:

Elisha Franco, Director, Internal Audit



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Audit Scope & Methodology

- The **audit scope** was to assess the effect of opting into PA 95 on both the organization and BWL customers. Additionally, it involved reviewing the organization's bad debt status to ascertain if PA 95 impacted it.
- A review of audit procedures, documents and data were reviewed for the period from July 1, 2023, through May 31, 2024.
- The audit was carried out in compliance with the **International Standards for the Professional Practice of Internal Auditing**.

Audit Objectives

Determine whether:

1. Opting into PA 95 had an impact on BWL customers.
2. The Community Resource Fairs are effective for BWL customers.
3. The adequacy and functionality of the Community Agency Payment Assistance Portal.
4. Opting into PA 95 affected the organization's bad debt position.

Overview of Audit Findings

- No business findings were identified during the audit engagement.

Overview of Audit Recommendations

- Create documentation outlining the crucial roles and responsibilities of each entity involved in PA 95, including MDHHS, BWL, and any collaborating agencies. This is a significant step towards ensuring clarity and efficiency in BWL's operations.

Internal Audit FY25 Work Plan



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Internal Audit FY25 Work Plan & Timeline

| Audits | Scope | Timeline |
|--------------------------|---|--------------------------|
| Payroll Management | Examination of the payroll processes, procedures, and documentation with a focus on transactions, FMLA, and pay codes during the last quarter of fiscal year 2024 | July-October 2024 |
| Remittance/Cash Receipts | Examination of processes and procedures surrounding the cash receipts and remittance area with a focus on transactions during fiscal year 2024 | November 2024-March 2025 |
| Follow-up PA 95 | A follow-up audit will be conducted to conclude a full-year review of PA 95 data. | April-June 2025 |
| P-Card (Tentative) | Review of P-Card transactions and compliance with processes/procedures for fiscal year 2025 to date | Tentative March-May 2025 |



Thank You!

- Contact Information:
elisha.franco@lbwl.com

RESOLUTION 2024-XX-XX
Internal Audit Plan for FY 2025

RESOLVED, That the Board of Commissioners hereby approves the Internal Audit Plan for FY 2025.

Motion by Commissioner _____, **Seconded** by _____ to approve the Internal Audit Plan for FY2025 at a Board meeting held on _____, 2024.

Action: