



**COMMITTEE OF THE WHOLE MEETING
AGENDA**

January 8, 2019

5:30 P.M. – 1201 S. Washington Ave.

Lansing, MI - REO Town Depot

Board of Water & Light Headquarters

AGENDA

Call to Order

Roll Call

Public Comments on Agenda Items

- 1. Committee of the Whole Meeting Minutes of November 6, 2018.....**TAB 1**
- 2. New Plant Update.....**INFO ONLY**
- 3. Integrated Resource Plan (IRP).....**INFO ONLY**
- 4. Board Self-Evaluation Review.....**INFO ONLY**

Other

Adjourn

COMMITTEE OF THE WHOLE

Meeting Minutes

November 6, 2018

The Committee of the Whole of the Lansing Board of Water and Light (BWL) met at the BWL Headquarters-REO Town Depot located at 1201 S. Washington Ave., Lansing, MI, at 5:30 p.m. on Tuesday, November 6, 2018.

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

Present: Commissioners Sandra Zerkle, Beth Graham, Tony Mullen, David Price, Ken Ross, Tracy Thomas, and Non-Voting Member: William Long (Delta Township), and Douglas Jester (East Lansing)

Absent: Commissioner Anthony McCloud and Non-Voting Member Dion'trae Hayes (Lansing Township)

The Corporate Secretary declared a quorum.

Public Comments

None.

Other

A special presentation was made by General Manager Dick Peffley to Amy and Trevor Feinberg, participants and first place winners in Halloween in Old Town at Preuss Pets, who dressed up their greyhound as the Eckert Station with smokestacks and Hometown Power Dog slogan.

Approval of Minutes

Motion by Commissioner Graham, **Seconded** by Commissioner Mullen, to approve the Committee of the Whole meeting minutes of September 18, 2018.

Action: Motion Carried.

2019 Regular Board Meeting Schedule Resolution

Committee of the Whole Chair Zerkle presented a proposed Resolution setting the BWL Board of Commissioners 2019 Regular Board Meeting Dates as directed by Section 1.1.2 of the BWL's Rules of Procedure.

Motion by Commissioner Thomas, **Seconded** by Commissioner Graham, to approve the 2019 Regular Board Meeting Dates Resolution.

Action: Motion Carried

Michigan Public Power Agency (MPPA) Commissioner Appointment Resolution

General Manager Peffley stated that the presented Resolution is naming James Mitchell as BWL's First Alternate MPPA Commissioner to replace Bradley Stoecker who resigned his position with the BWL effective October 1, 2018 and asked that the Resolution be forwarded to the full Board for consideration.

Motion by Commissioner Ross, Seconded by Commissioner Thomas to forward the proposed MPPA Commissioner Appointment Resolution to the full Board for consideration.

Action: Motion Carried

Pole Attachment

General Manager Peffley provided information on the pole attachment process and highlighted the following items:

- BWL has roughly 32,000 distribution poles in our service territory, 42 contracting companies attaching to BWL poles in the BWL service territory, and over 130,000 third party contacts to our poles.
- BWL has revenues of \$582,982.28 for third party attachments and since January 1, 2018 BWL has received \$70,323 in application fees from joint party attachments.
- BWL currently receives \$7.30 per pole attachment on an annual basis. There is little expense to the BWL to attach to the poles and BWL encourages pole attachment.
- Since January 2018, 1600 new attachments on poles have been processed and as part of the BWL double pole elimination program since May 2018, BWL has 50 poles and counting ready to be pulled over the winter/spring.
- BWL currently has over 80 EPRS (Emergency Pole Replacement Slips) processing.
- Attachers sign agreements to use the poles and current pole attachers are notified if adjustments need to be made. Agreeable attachments do not always occur.
- BWL would like to amend the agreements with the 42 contracting companies and claim the right to move the attachments if the companies do not agree to move.
- Both Michigan and BWL are exempt from the recent FCC One Touch Make Ready order.

Commissioner Price asked if a new attacher requests attachment to a pole who notifies the other attachers and what authority does the BWL have to move the attachers to make room for the new attacher. GM Peffley stated that the new attacher notifies the other attachers and that the BWL has no authority to move the attachers with which new contracts haven't been renegotiated. BWL can move the attachers that don't meet current specifications.

Commissioner Ross asked whether or not this would result in an amendment to the rate schedule, whether rate payers would be subsidizing this service, and whether data was available regarding whether this service would be provided in-house or with an outside partner. GM Peffley stated that the pole attachments would be revenue neutral to BWL customers and rules and regulations would not need to be addressed as \$7.30 per year per pole has been established. GM Peffley also stated the service would be provided in-house unless it would be more proficient to hire a crew. Commissioner Ross inquired if there was a separate charge for attachment besides the current rate structure of \$7.30 per pole. GM responded that a second charge was a back charge for the labor to make the pole ready and the new attacher is responsible for paying that charge.

Commissioner Zerkle asked if there was a deadline for a company going out of business to remove their pole attachment. Ricky Thornton, Technical Systems Analyst for Customer Projects and Developments, responded that some deadlines are in place, and that arrangements are made to take the necessary attachments down.

Commissioner Thomas inquired about the pole attachment process during the recent ice storm. GM Peffley responded that restoring electricity was the main concern during the ice storm.

Easement Grant to Consumers Energy Resolution

General Manager Peffley introduced General Counsel Brandie Ekren, who provided information on the grant request for an easement to Consumers Energy Company to allow construction of gas lines and pipelines along Canal Road to serve the new BWL combined cycle plant. The said easement grant request will be effective upon Lansing City Council's approval.

Commissioner Mullen asked if gas was going to be purchased from Consumers Energy. GM Peffley responded that Consumers Energy owns the pipeline and will receive a fee for the pipeline. Gas can be provided by BWL or purchased from Consumers Energy.

Commissioner Ross asked for a description of the location for the pipeline. GM responded that the easement is for property on Erickson. George Stojic, Executive Director of Planning and Development responded that a new city gate is being constructed and hits the service territory extending from Saginaw Hwy west of 96, south to General Motors property to Mt. Hope Street to the east and to Canal Street.

Motion by Commissioner Price, **Seconded** by Commissioner Thomas to forward the proposed Easement Grant to Consumers Energy Resolution to the full Board for consideration.

Action: Motion Carried.

Enterprise Risk Management Update

GM Peffley introduced George Stojic who stated that two projects were underway, the Enterprise Risk Management Strategy and Asset Management. Mr. Stojic introduced Brandie Ekren, General Counsel for the Board of Water and Light, who spoke about Enterprise Risk Management Strategy 5, Objective 4 from the Strategic Plan which was approved in 2016. Ms. Ekren stated that program basics were a structured, consistent, and continuous process across an organization for identifying, assessing and deciding on responses to and reporting on opportunities and threats that affect the achievement of the organization's objectives. Ms. Ekren highlighted the summary tasks of quality assurance, engagement, and responsibility and accountability. Ms. Ekren proposed an ERM program as a 2020 milestone goal, to be approved in March 2019, that will include risk management coordinated across business areas, management performance and analysis tools, monitoring, strategy setting and scenario planning, and reporting responsibility.

Enterprise Risk Management

LANSING BOARD OF WATER & LIGHT

Committee of the Whole Update
November 6, 2018

Strategy 5, Objective 4:

Pursing excellence by creating a workplace environment that seeks to enhance current practices with the intention of adding value, making improvements, and increased efficiency

Summary Tasks:

1. Quality Assurance
2. Engagement
3. Responsibility & Accountability

Task 5.4C:

Assign responsibility and accountability to employees utilizing a system to analyze and measure the process in terms of risk to assets, safety and customers.

“Enterprise Risk Management”

Program Development- Enterprise Risk Management - Basics

A structured, consistent, and continuous process across an organization for identifying, assessing and deciding on responses to and reporting on opportunities and threats that affect the achievement of the organization’s objectives (*Institute of Internal Auditors*)

Involves:

- ❖ **risk governance**, including *strategic decision making and risk oversight*;
- ❖ **risk infrastructure and management**, including designing, implementing and maintaining an effective *risk program* – led by executive management; and
- ❖ **risk ownership**, or the *identifying, measuring, monitoring, and reporting of specific risks*, led by the business units.

Enterprise Risk Management - Benefits

- Expectations and objectives **communicated** and **understood** across the organization – everyone moving towards achievement of common objectives
- Standardize business processes and **collaborate** efforts to **integrate**
- Clear **understanding** of key business **risks**, associated risk management approaches, and levels of effectiveness
- Risk management mindset used within decision making processes at all levels and functions in the organization – **enhanced decision making**
- Increased operational **efficiencies** and stakeholder **value**
- **Coordination** of an integrated response to **compliance** requirements

Task 5.4C

Assign responsibility and accountability to employees utilizing a system to analyze and measure the process in terms of risk to assets, safety and customers.

2020 MILESTONE GOAL

Establish and Implement a Comprehensive Enterprise Risk Management Program

Balanced, Intelligent & Integrated

Program Development- Enterprise Risk Management- Balanced and Intelligent

The objective is to progress along a continuum to balance risk management with organizational flexibility and adaptability to meet shareholder, customer and industry demands

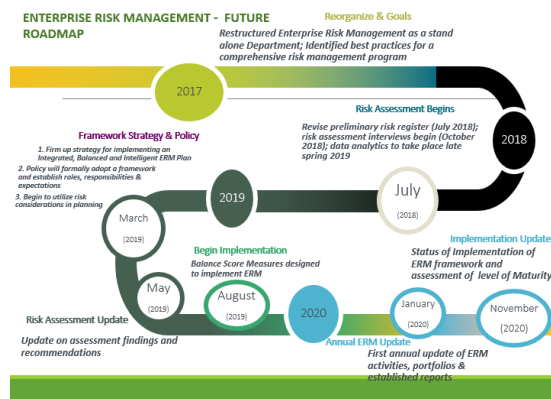
The Risk Intelligence Maturity Model: Evaluate risk management capabilities



ENTERPRISE RISK MANAGEMENT - JOURNEY TO DATE

1. Restructured Department
2. Stakeholder Analysis
3. Revised Risk Register
4. Begun Enterprise Risk Assessment – Data collection stage
5. Increase support and collaboration: Asset Management, New Plant project, Motor Vehicle, etc.

ENTERPRISE RISK MANAGEMENT - FUTURE ROADMAP



Commissioner Zerkle inquired what part the Internal Auditor plays in risk management. Ms. Ekren responded that the Internal Auditor may provide information.

Commissioner Ross asked whether BWL had an outside consultant that is familiar with complex organizations and utility space for the infrastructure. Ms. Ekren responded that BWL's outside consultant is Marsh Consulting and they have helped with setting up the risk assessment and finding out what other utilities are doing. Commissioner Ross commented that having someone accountable for identified risk is critically important and welcomed Ms. Ekren to speak again to the Commissioners about the infrastructure of the Enterprise Risk Management program as it progresses.

Commissioner Mullen commended Ms. Ekren on her presentation and asked for an example of a risk and how the risk would be managed. Ms. Ekren responded that the asset management presentation that follows will provide the comparative benefits of managing risk and not managing risk. Ms. Ekren also provided for an example a qualified work force and succession planning, and ensuring that employees are qualified to take on jobs and are trained to be able to do the job.

Commissioner Jester asked whether risk to customer satisfaction, risk to reputation or predominately risk to physical and financial operational risks were being assessed. Ms. Ekren responded that a variety of risks were being assessed including all of those stated in the question. Commissioner Jester also asked what new risks were identified. Ms. Ekren responded that what the utility would look like in the future, and also recognizing communication and information as an asset were two new risks that were identified.

Commissioner Ross asked whether people understand what the organizational risk tolerance is for an activity, how activities are calibrated to risk presented and how much risk is tolerated. Ms. Ekren responded that a baseline of risk has been established but there is no uniform standard and more insight will be provided in March 2019 at the Committee of the Whole meeting.

Commissioner Zerkle commented that instead of saying what is the risk, say what is the problem and what is the solution. Ms. Ekren stated that that is the reason there is a focus on creating a uniform definition and the objective of what is getting in the way of the stakeholder realizing the value.

Asset Management Update

Dave Bolan, Executive Director of Operations, introduced Jerry Flore, Asset Management Manager, who presented a video of the Asset Management Journey and gave an update on some current initiatives. Mr. Flores stated that another update will be provided in March 2019. Mr. Bolan agreed with Ms. Ekren’s proposal to walk through actual scenarios of how assets are classified as critical and the risk they pose to the organization if they are not properly maintained or replaced in a timely manner. This will be done at the March 2019 COW.



Asset Management Update



Asset Management Update



Asset Management Update

Asset Management Update Presentation

Board of Commissioners COW Meeting
November 6th, 2018

Presentation Objectives

1. Overview of Strategic Plan AM Objectives
2. Discuss the Asset Management Journey (video/handout)
3. Why be ISO 55000 Compliant?
4. Present BWL's Asset Management Plan

Strategy 3: Effectively Acquire and Manage Resources

Goal: Acquire and manage BWL assets in an efficient manner to ensure an adequate and reliable supply of utility services to the Greater Lansing community



Asset Management Update

Objective 2: Fully integrate Asset Management principles for each utility

- 1) Evaluate and implement improved business processes, standards, and certifications.
- 2) Implement utility industry best practices for asset management.
- 3) Develop appropriate asset management training for employees.
- 4) Create a team culture at the BWL that values and complies with asset management principles.



Asset Management Update

What is Asset Management?

"Coordinated activity of an organization to realize value from assets" (regarding Physical Assets)

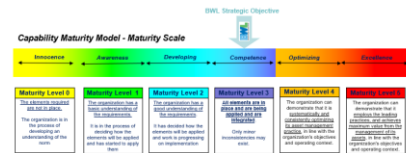
ISO 55000



Asset Management Update

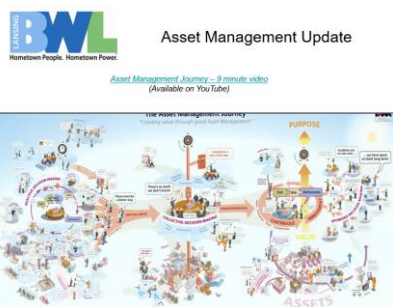
Objis 2.1 and 2.2

- Recognized best practices are the basis for ISO 55000. (PAS-55)
- The deliverable for the BWL Strategic Objectives is to obtain the ISO 55000 certification.
- Certification requires that all ISO requirements have obtained a maturity level of 3 or higher in 24 standards.



Asset Management Update
ISO 55000 Asset Management System

Section	Description	Section	Description
4	Context of the Organization	7	Support
4.1	Understanding the organization & its context	7.1	Resources
4.2	Understanding the Needs & Expectations of Stakeholders	7.2	Competence
4.3	Determining the Scope of the Asset Management System	7.3	Awareness
4.4	Asset Management System	7.4	Communication
5	Leadership	7.5	Information Requirements
5.1	Leadership and Commitment	7.6	Documented Information
5.2	Policy	8	Operation
5.3	Organizational Roles, Responsibilities & Authorities	8.1	Operational Planning & Control
6	Planning	8.2	Management of Change (Change Management)
6.1	Addressing Risks & Opportunities for the Asset Management System	8.3	Outsourcing
6.2	Asset Management Objectives	9	Performance Evaluation
		9.1	Monitoring, Measurement, Analysis and Evaluation
		9.2	Internal Audit
		9.3	Management Review
		10	Improvement
		10.1	Non-conformity & Corrective Action
		10.2	Preventative Actions
		10.3	Continual Improvement

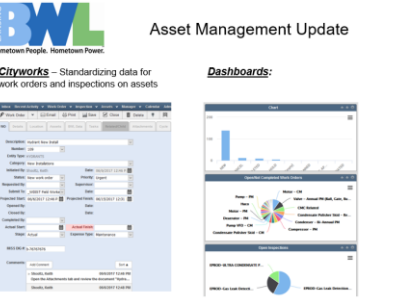
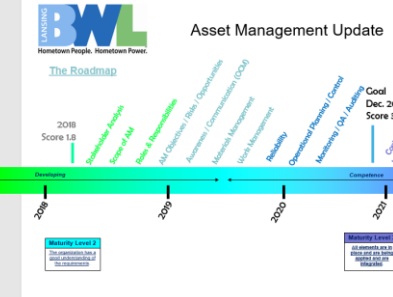
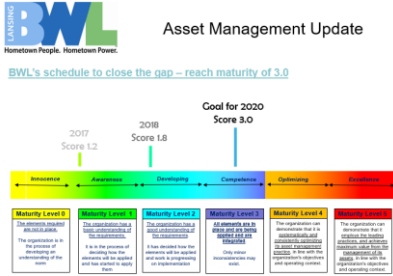


- Asset Management Update**
Observations from the IAM video:
- The ISO 55000 Standards are a framework for aligning the assets with the organization strategic objectives in business decision making framework.
 - Aligns the organization to a set of common goals, our Strategic Plan Objectives.
 - Manage assets based on their criticality and then the risk they pose to the overall mission of the organization.
 - Moves an organization away from the reactive management of its assets towards a planned approach that integrates into the discussion Risk, Performance, and Cost.
 - AM is looking at critical assets over their lifecycles (i.e. Acquire, Maintain, Utilize, and Dispose), Information (data) regarding an asset over its lifecycle is as important as the asset.

- Asset Management Update**
Observations from the IAM video - Continued:
- Requires Top-down leadership and collaboration throughout the organization.
 - AM is not a one-time transformation program (obtain ISO certification), rather asset management is embedded as a part of the organization's continuous improvement philosophy.
 - Absent an Asset Management organization-wide culture, AM can become a silo and ineffective.

- Asset Management Update**
Benefits of Asset Management (ISO 55000)
- Demonstrated compliance:** transparently conforming with legal, statutory and regulatory requirements, as well as achieving to asset management standards, policies and processes, can enable demonstration of compliance. (Note: Presently, the SOM requires an AM plan for water utilities - Water Asset Management Council, Act 324. The SOM recently passed legislation that will eventually set AM requirements for all utility infrastructure - Michigan Infrastructure Council, Act 323.) - BIM, is requesting to be a voting member of the Council.
 - Improved financial performance:** improving ROI and reducing costs can be achieved, while preserving asset value and without sacrificing the short or long-term realization of organizational objectives.
 - Informed asset investment decisions:** enabling the organization to improve its decision making and effectively balance costs, risks, opportunities and performance.
 - Improved efficiency and effectiveness:** reviewing and improving processes, procedures and asset performance can improve efficiency and effectiveness, and the achievement of organizational objectives.
 - Managed risk:** reducing financial losses, improving health and safety, good will and reputation.

- Asset Management Update**
Benefits of Asset Management - Continued
- Improved services and outputs:** assuring the performance of assets can lead to improved services or products that consistently meet or exceed the expectations of customers and stakeholders.
 - Minimizing environmental and social impact:** can result in reduced liabilities such as insurance premiums, fines and penalties.
 - Demonstrated social responsibility:** improving the organization's ability to, for example, reduce emissions, conserve resources and adapt to climate change, enables it to demonstrate socially responsible and ethical business practices and stewardship.
 - Enhanced reputation:** through improved customer satisfaction, stakeholder awareness and confidence.
 - Improved organizational sustainability:** effectively managing short and long-term effects, expenditures and performance, can improve the sustainability of operations and the organization.



- Asset Management Update**
Expectations:
- Board of Commissioners**
 - As stakeholders, support of the Asset Management goals and objectives
 - Asset Management**
 - Continued communications/updates to the Board (e.g. next March)

Commissioner Price asked about the demographics on the heat map and Mr. Flore responded that more main breaks occur where there is red on the map.

Commissioner Ross asked three questions: where is the BWL at in the asset management process; at what time will BWL be at the maturity level for asset management; and will this result in additional reporting and greater transparency. Dave Bolan responded that the BWL is in the process of deciding how some of the elements will be applied and has decided on how some elements will be applied and implementing those elements; BWL is scheduled to be at Maturity Level #3 at the end of 2020; and that a capital budget is created, an investment is made which removes risk, and assets are managed based on their criticality. Commissioner Ross also asked if the risk is only for physical assets. Mr. Bolan responded that scores and measurements are made for all potential risks.

Commissioner Price inquired if trees as a risk was a good characterization of asset management and Mr. Bolan concurred. Commissioner Price also asked whether the report in March 2019 will have the information integrated into the budget planning. Mr. Flores responded that a draft risk matrix to develop a process for the capital budget projects is in progress.

Commissioner Zerkle inquired whether the Internal Auditor is included in the discussions for asset management. Internal Auditor Phil Perkins responded that he has some involvement with the project and added that there are two factors to consider, the probability of risk and the impact of an occurrence. Commissioner Zerkle asked whether the human factor was to be considered for asset management. GM Peffley stated that is another area and another department has been created for that.

Commissioner Long commented that the human factor had been mentioned under Enterprise Risk Management. He also thanked GM Peffley for sharing the MPPA presentation.

Commissioner Jester asked what the focus was on for demonstrating to the staff that asset management has value. Mr. Flore responded that a pilot program was conducted in which work orders were run to validate software functionality. Commissioner Jester stated that BWL has a number of assets and he would like this be in the budget process.

Other

Motion by Commissioner Graham, Seconded by Commissioner Ross, to excuse Commissioners Anthony McCloud and Dion'trae Hayes from tonight's meeting.

Action: Motion Carried

Commissioner Price informed the Commissioners that there will be a ceremony honoring veterans at 11:00 am on Friday at the REO Depot and that he will be playing drums along with his pipe major during the event.

Adjourn

Motion by Commissioner Price to adjourn the meeting.

Meeting adjourned at 7:24 p.m.

Respectfully Submitted
Sandra Zerkle, Chair
Committee of the Whole