

# Comment on Notice 2021-17

from Heather Shawa, Lansing Board of Water & Light

on Thursday, March 3, 2022

Comment:

Lansing Board of Water & Light is providing comments in response to the MSRB's Request for Information on Environmental, Social and Governance Practices in the Municipal Securities Market.

Background: Lansing BWL is a combined utility that provides water, electric, steam and chilled water services to mid-Michigan. BWL is Michigan's largest municipally-owned utility and our two largest systems service over ~100,000 electric customers and ~58,000 water customers, respectively. Environmental stewardship is ingrained in our operations and is part of our mission statement.

General Observations:

- Having inquired about a "Green" designation with our prior bond issuance, our conclusion was that there were competing and sometimes conflicting standards. For example, there are the Green Bond Principles promulgated by the International Capital Market Association while another option is Sustainability Bonds. The UN Climate Goals developed from the Paris Accords also provide another benchmark that can be used to label bonds. To make matters more complex, all three major rating agencies report, and can provide, a "Green" or "ESG" scores based on their own criteria and evaluation methodologies.
- Clearly, there are competing criteria and the municipal market generally lags in this area. Europe has been on the forefront of ESG and American corporations have been getting more involved over the past several years.
- As BWL investigated these designations, we also researched some of the expected annual reporting requirements. We reviewed some of the reports published by larger municipal utilities as well as investor-owned utilities. While the content and quality differed between these reports, overall, we were struck by the level of effort required to report this information as well as package this in a manner understandable to ratepayers and stakeholders. We made several conclusions with this review:
  - o The information is generally available. Our permits (air, water, etc) require reporting select information to state and/or federal regulatory authorities for both the electric and water utility. Additionally, some of the "S" and "G" information is reviewed by the leadership of BWL as a management tool. We do note that the "S" and "G" information reviewed by management has changed over time, based on changes and adjustments in the strategy and priorities of BWL.
  - o BWL would need to designate a team, across the utility, to compile this information across our separate utility systems.
  - o BWL would also need to define a process for review of the information to ensure accuracy prior to publishing the report.
  - o BWL would have to designate a lead executive to oversee the information and process.
  - o Finally, we considered outsourcing this effort to a third-party as a means to streamline the process,. However, we concluded that this third-party would likely just require BWL to continuously provide information.

Recommendations:

- Given competing criteria, we think that the MSRB should take a disciplined approach and wait to see which framework gains the most traction from both issuers as well as investors prior to requiring municipal issuers to report information.
- In terms of what information to eventually report, we believe that the MSRB could have differing requirements across sectors. For example, a city would likely have different ESG priorities and efforts compared to a combined utility, such as BWL. Over time, we believe there will be much clarity, consolidation and consistency of the information voluntarily reported.
- Given the workload and effort needed to complete a "Green" or "ESG" evaluation, we believe that smaller utilities/issuers should be exempt. Perhaps the threshold could be determined by the amount of public market debt issued or size (population served) of the service territory

BWL is committed to operating our utility systems in an environmentally and socially conscious manner. It is part of our mission and vision. This is also demanded of us by our stakeholders. We do envision publishing a

sustainability report in the future so our stakeholders have a transparent view of how far BWL has come over the past decade to be less carbon-intensive. We do not anticipate posting this report to EMMA as a voluntary disclosure, but we do see providing access via our investor relations page on the BWL website.

We appreciate the ability to provide our thoughts on ESG reporting and please feel free to contact of for further information.