



2015-2016 Annual Report

Traverse City Light & Power is focused on providing Public Power benefits of safety, lower rates, high reliability, local control and exceptional customer service to the City and its residents and all Traverse City Light & Power customers.

Our Message

As we write this piece, the State of Michigan recently approved new energy legislation with three overarching principles, reliability, cost-effectiveness, and environment friendly. These very same principles have been at the core of discussion for Traverse City Light & Power (TCL&P) at both the staff and board levels through various topics such as future generation capacity, cost effectiveness and reliability, renewable energy within the generation portfolio, and the evolution of the utility's energy optimization program.

Not all of the modifications to the law are applicable to the municipally owned utility. However, for those that are not, we may see some become guidelines in the future depending on the direction of the governance board.

In addressing the three overarching principles of reliability, cost-effectiveness and environment friendly, the legislation requires utilities regulated by the Public Service Commission to develop an integrated resource plan ("IRP"). This Plan will include energy waste reduction (formally known as energy optimization or efficiency) and demand response programs, while issuing request for proposals prior to submission of the IRP for new supply side generation within the State of Michigan as a means to manage current and properly plan for future load growth in the State of Michigan. Additionally, the mandate of the 1.0 percent kWh savings for energy waste reduction programs based on kWh sales was removed and changed to a financial incentive format for utilities that exceed certain percentages such as 1.5 percent. The renewable energy generation requirement gradually increases from ten to fifteen percent by 2022. Existing net metering customers were grandfathered into the current program. However, a planned study for a proposed tariff to charge a standby use of the utility's distribution and transmission system may apply to future net metering customers dependent on the outcome of the study.

The changes listed above are not all inclusive of what is being required by the new law, but rather represent some of the similar challenges that the utility has faced over the last year at the local level. These challenges are continually being addressed at TCL&P with examples that include; analyzing, with assistance from the Michigan Public Power Agency, current energy and capacity needs while evaluating new renewable power supply opportunities and the impact it has on the current generation portfolio; completion of a report on the utilities energy waste reduction program providing information as to the best cost effective programs for the utility; inclusion in the strategic plan the evolution of the energy waste reduction program; the development of the avoided solar cost rate to be used to evaluate future net metering agreements once the current subscription is filled; and the possibility of future purchase power agreements.

The challenges facing utilities, whether municipally owned, a cooperative or investor owned, are similar in many ways as the industry evolves. Please know that the issues that arise at the State level are being addressed at the local level simultaneously, while keeping the rate payer at the forefront of all discussion. And as always, TCL&P is specifically committed to providing the public power benefits of safety, lower rates, high reliability, local control and exceptional customer service.



Jan Geht
Board Chairperson



Timothy Arends
Executive Director

Our Year

Safety

The 2015-2016 fiscal year was yet another good year for safety. The utility, again this year, had only one minor lost time accident as a result of a lower back strain. This consistent low rate of incidents is a reflection on the efforts of employees to make safety a number one priority at the utility.

Reliability

The utility invested approximately \$124,690 in normal routine tree trimming this year. A properly maintained right of way significantly reduces the length and occurrence of outages. The utility's ASAI index (total of customer hours available divided by total customer hours demanded) in 2015 was 99.99%.

This year the utility was able to complete a major upgrade project, West Side Transmission Line. This project being one of the final pieces the utility needed to have a complete looped transmission system, along with three reliable sources of electrical power to the utility's distribution system, two from the south, one from the east and one from the west. As this project was near completion the utility was able to obtain approval for the next transmission line upgrade project, LaFranier Barlow Transmission Line Upgrade.

In January 2016 the utility placed in service the South Substation. The South Substation was constructed to shorten distribution circuits and offload significant load in that area from the existing four distribution substations to improve system reliability.

Financial

The utility developed an avoided solar cost rate to develop the value of solar generation to TCL&P. This will be used in the future to evaluate solar purchase power agreements and net metering agreements once the current subscription is filled.

Generation

The utility continues to work in conjunction with the Michigan Public Power Agency (MPPA) on seasonal purchases, firm energy contract purchases, develop a long-term capacity purchase program, a renewable energy program, and acquire mid-range capacity.

Most recently, the Board committed to purchasing 3.6 MW of wind energy in the thumb area through MPPA. The approval of this contract will allow the utility the ability to comply with the new State of Michigan 15% renewable generation mandate.

Technology The utility has significant technology projects and do not expect this to change in the near future as everything revolves around utilizing technology to stream line and make processes more effective and efficient.

Technological projects commencing during the year include a new work order asset management program, upgrades to the GIS System electric system model, implementation of an IVR Response program, and installation of new security cameras at all locations where critical assets reside.

AMI discussions with the Board were held throughout the year with the projected authorization to move forward with request for proposals approved in August 2016. Additionally, the utility was working with stakeholders at both the State and local level to obtain feedback on launching a Fiber to the Premise Project within Traverse City. A feasibility study is currently underway to provide information on whether this project is financially viable based on different model scenarios.

Employees TCL&P employs thirty-eight full-time employees. In fiscal year 2015-16 the utility had four new hires and one retirement. Additionally we had six employees who were recognized for their years of service, whether it was 5, 10, 15, 20, 25 or 30 years.

Energy Optimization

Through our customers who engaged in energy optimization programs, TCL&P saved an additional 2.73 million in kWh's. This exceeded the state-mandated goal by 4.8% and saved enough electricity to power approximately 420 Traverse City area homes for an entire year! The savings were through discounted LED light bulbs and incentives for purchasing ENERGY STAR appliances, high efficiency HVAC systems, recycling old inefficient refrigerators, freezers, room air conditioners and dehumidifiers. In addition, business customers were offered incentives for upgrading equipment with greater energy efficiency including lighting, motors, air systems, refrigeration, HVAC units and building management systems. TCL&P also contributed to the installation of wind and solar streetlights near West End Beach as part of an energy efficiency pilot project, and provided an additional \$100,000 to VENTURE NORTH for awarding energy efficiency loans to area businesses.



Balance Sheet

Current assets

Cash and cash equivalents	\$ 8,730,597
Receivables	
Customer, less allowances of \$319,084	
for uncollectible accounts (Light and Power Fund)	3,174,733
Accrued interest	34,124
Taxes	14,272
Other	779,495
Inventories	1,582,616
Prepaid expenses	14,456

Total current assets 14,330,293

Non-current assets

Investments	10,849,656
Accounts receivables	1,431,091
Other postemployment benefit asset	1,382,770
Long-term advances - due from primary government	689
Land and land improvements	1,079,419
Construction in progress	1,384,254
Capital assets being depreciated, net	55,256,779

Total non-current assets 71,384,658

Total assets 85,714,951

Deferred outflows

Deferred outflows of resources - Pensions	3,200,929
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Current liabilities

Accounts payable	\$ 1,727,912
Accrued expenses and other liabilities	509,531
Customer deposits	107,932
Unearned revenue	14,270
Due to primary government	298,832

Total current liabilities 2,658,477

Long-term liabilities

Compensated absences	201,758
Net pension liability	14,114,875

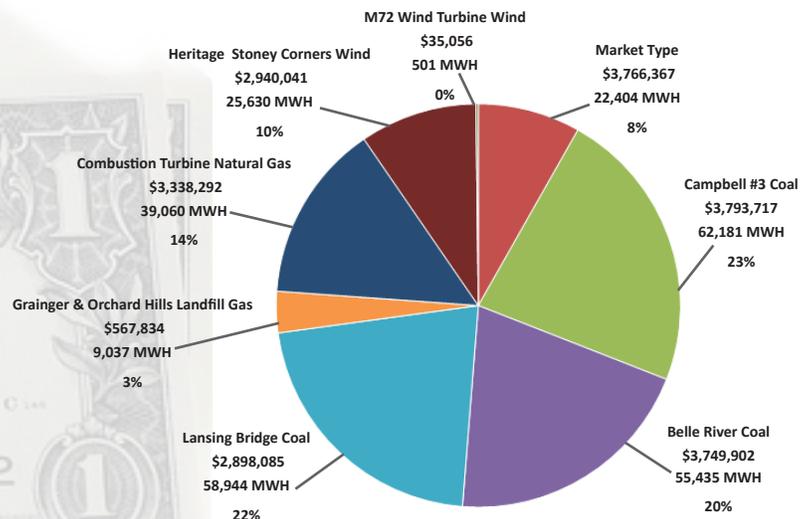
Total liabilities 16,975,110

Net position

Invested in capital assets	57,720,452
Unrestricted	14,220,318

Total net position \$ 71,940,770

2015-16 Fiscal year Energy Consumption



Revenue and Expenses

Where Does it Go?

For every dollar paid to the utility, **64¢** is spent on purchased power and related transmission costs.

13¢	Distribution & Transmission
11¢	Depreciation/Capital Investment
5¢	City Fee
3¢	General Administration
2¢	Public Service
1.6¢	Customer Accounting
.4¢	Fiber/WIFI

Commercial
48%

Industrial
31%

Residential
19%

Public
Authority
1%

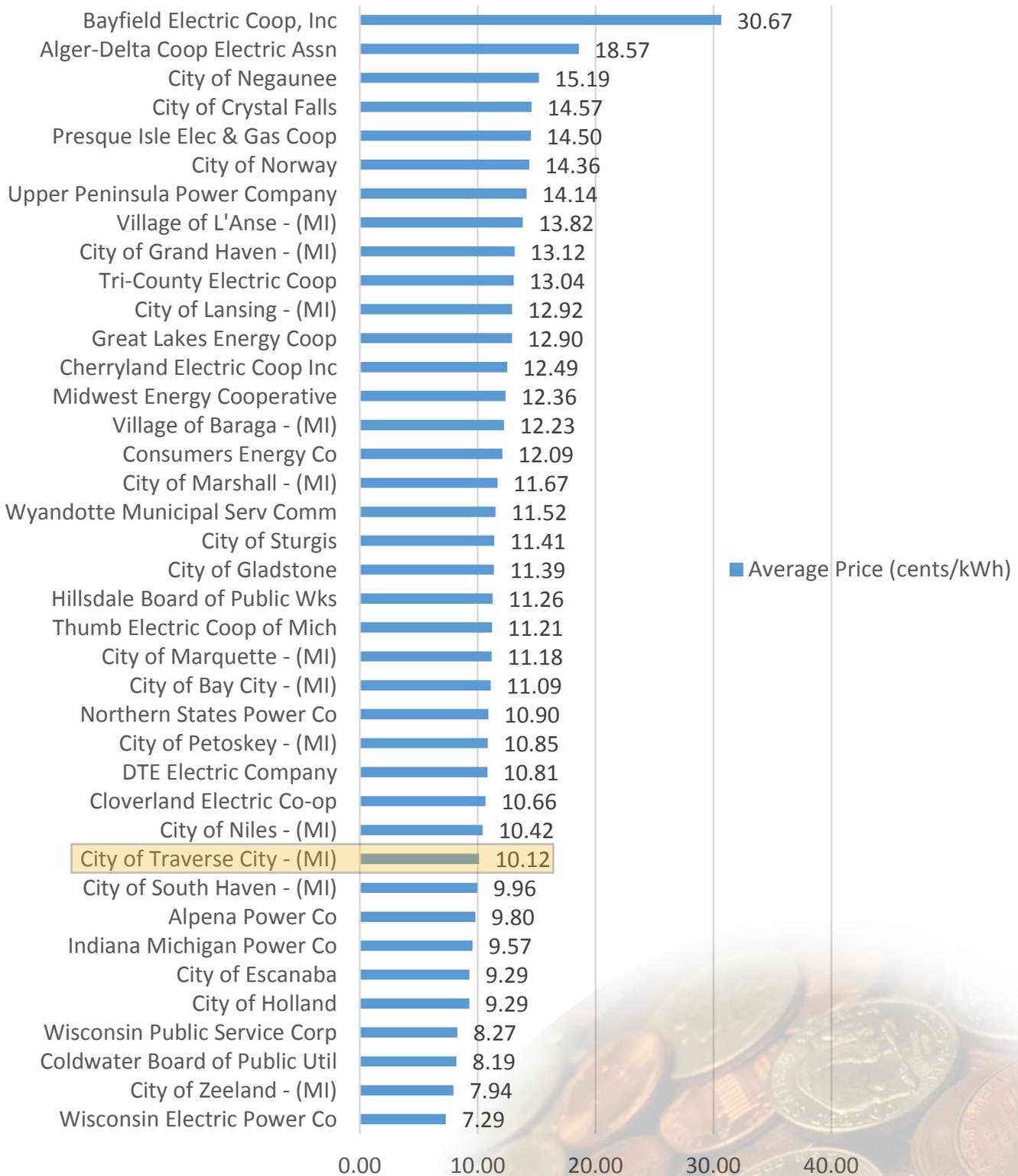
Street Lights
& other
1%

Where Does it Come From?

	FYE 2016	FYE 2015
Operating revenues		
Charges for services	\$ 31,944,489	\$ 34,652,551
MISO income	3,483,052	2,481,500
Other	381,008	265,290
Total operating revenues	35,808,549	37,399,341
Operating expenses		
Generation	23,070,005	22,855,173
Distribution	4,424,951	3,530,929
Transmission	421,135	406,584
Customer accounting	577,278	568,692
Public service	671,545	513,302
General administration	986,037	834,938
Fiber	105,858	101,209
WIFI	28,678	23,225
Other	62,001	59,036
City fee	1,798,832	1,876,047
Depreciation	2,397,571	2,274,546
Total operating expenses	34,543,891	33,043,681
Operating income (loss)	1,264,658	4,355,660
Nonoperating revenues (expenses)		
Rental income	93,247	91,226
Reimbursements	350,371	439,170
Interest income	289,116	251,071
Change in fair value of investments	59,202	59,202
Loss on sale of assets	(355,965)	(428,620)
Total nonoperating revenue	435,971	412,049
Income before transfers	1,700,629	4,767,709
Transfers		
Transfers in	175,000	-
Transfers out	(175,000)	-
Total transfers	-	-
Change in net position	1,700,629	4,767,709
Net position, beginning of year	70,240,141	65,472,432
Net position, end of year	\$ 71,940,770	\$ 70,240,141

Rate Comparison

Average Price (cents/kWh) (Information obtained from EIA - 2015 data)



Financial, Operating & Other Ratios

(Fiscal Years Ending June 30, 2016, 2015, 2014 and 2013)

Ratio Description	2016	2015	2014	2013	2013
					APPA 10,000-20,000 Customers
FINANCIAL RATIOS					
Revenue per KWH*					
* All Retail Customers	\$ 0.098	\$ 0.109	\$ 0.101	\$ 0.090	\$ 0.092
* Residential Customers	\$ 0.109	\$ 0.118	\$ 0.109	\$ 0.096	\$ 0.104
* Commercial Customers	\$ 0.108	\$ 0.118	\$ 0.108	\$ 0.099	\$ 0.095
* Industrial Customers	\$ 0.080	\$ 0.092	\$ 0.087	\$ 0.076	\$ 0.071
Debt to Total Assets	N/A	N/A	N/A	N/A	0.234
Operating Ratio	1.082	0.953	0.997	1.140	0.863
Current Ratio	5.37	10.64	8.96	9.58	2.65
Net income per revenue dollar	\$ 0.052	\$ 0.120	\$ 0.114	N/A	\$ 0.073
Uncollectible accounts per revenue dollar	\$ 0.0001	\$ 0.0011	\$ 0.0009	\$ 0.0010	\$ 0.0017
OPERATING RATIOS					
Retail customers per employee	341	330	331	305	399
Total OM expense per KWH sold	\$ 0.099	\$ 0.096	\$ 0.093	\$ 0.097	\$ 0.079
Total OM expense per retail customer	\$ 731	\$ 652	\$ 593	\$ 664	\$ 400
Total power supply expense per kWh sold	\$ 0.070	\$ 0.070	\$ 0.070	\$ 0.073	\$ 0.065
Purchased power cost per KWH	\$ 0.065	\$ 0.070	\$ 0.075	\$ 0.074	\$ 0.061
Retail customers per meter reader	5,113	4,986	4,967	4,740	5,769
Distribution OM expense per retail customer	\$ 346	\$ 283	\$ 270	\$ 295	\$ 155
Distribution expense per circuit mile	\$ 12,643	\$ 10,088	\$ 9,588	\$ 9,980	\$ 4,840
Customer accounting, service and sales expense per retail customer	\$ 45	\$ 46	\$ 39	\$ 44	\$ 48
Administrative and general expense per retail customer	\$ 77	\$ 67	\$ 61	\$ 81	\$ 143
OTHER RATIOS					
OSHA Incidence Rate	0%	0%	0%	N/A	2
Energy loss percentage	6.93%	0.88%	-7.12%	-1.17%	3.66%
System Load Factor	53.84%	49.75%	47.13%	49.07%	56.10%

Our Board

About Us

Total Customers 12,700

Miles of OH/UG Line 439.5

Total Employees 38

Years in operation..... 103

TCL&P proudly serves Traverse City and parts of Blair, East Bay, Elmwood, Garfield, Paradise and Peninsula Townships.

Jan Geht, Board Chairman

Jeff Palisin, Board Vice-Chairman

Robert Spence III, Board Member

Patrick McGuire, Board Member

John Taylor, Board Member

Amy Shamroe, City Commissioner

Tim Werner, City Commissioner

Marty Colburn, City Manager

Our Administrative Team

Timothy Arends, Executive Director

Jennifer St. Amour, Administrative Assistant

Karla Myers-Beman, Controller

Peter Schimpke, Manager of Operations & Engineering

Scott Menhart, Manager of Technology & Telecommunications

Rodney Solak, Line Superintendent

Blake Wilson, System Engineer

Mark Watson, Field Engineering Supervisor

Kelli Schroeder, Manager of HR & Communications

