

# FY 2018-2019 Annual Report



TRAVERSE CITY  
LIGHT & POWER

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

# Our Message

At Traverse City Light & Power (TCL&P) we take pride in delivering safe, reliable and competitively priced electric service to our community through the efforts of our dedicated employees – 24 hours a day, 365 days a year. As with previous fiscal years, the utility continued to perform extensive infrastructure upgrades throughout the electric system, with the reliability of the system remaining at the forefront. However, change and transformation are on the horizon as the utility and community move forward into the future.

Part of this change is ensuring a sustainable future. The Board adopted a strategic goal to have 40% of TCL&P's generation come from renewable sources by 2025, with an eventual 100% renewable portfolio by 2040. This was a utility commitment to protecting our environment by reducing the need for fossil fuels.

As for transformation, the Board approved the construction and operation of Phase One of the Fiber to the Premise (FTTP) project to create a smart grid and bring high speed internet to residents and businesses within TCL&P's service territory, thus taking on a new business venture that will become an economic driver for the community, while also allowing the utility to offer Energy Waste Reduction programs to its customers.

There are a lot of advancements underway at TCL&P, and there are more to come, but the focus of the utility has and will always remain providing safe, highly reliable, and affordable service to the customers and community.



**Timothy Arends**  
Executive Director



**John Taylor**  
Board Chairperson

# Our Year

## SAFETY

At TCL&P safety is always at the forefront. For the 2018-2019 fiscal year the utility unfortunately had one lost time incident. The incident involved one work day missed and was investigated with recommendations shared amongst all employees about how the hazard could have been avoided.

The utility simplified the process for reporting safety incidents which combined three forms into one, improved the incident investigation process and created a safety matrix to better ensure consistency and reduce repeat incidents.

## RELIABILITY

The utility invested approximately \$196,000 in tree trimming, including preventive maintenance as well as customer-generated or emergent requests. 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 FY 2018-2019 was 99.984% which was better than goal (99.97%).

This year the utility completed a number of important reliability projects,

- The utility rebuilt an overhead section of the PC-32 circuit with Hendrix covered wire along East Bay Boulevard and Eastern Avenue. This provided some protection from the incidental contact of tree limbs, a common occurrence and source of outages in the Peninsula area.
- A transmission switching station was completed at Parsons Substation for \$1.7M, improving reliability for all customers fed from Barlow and Parsons Substation by providing automated switching on the 69kV transmission system between Barlow and Hammond Substations.
- \$335K was spent to rebuild a half mile section of the HL-22 overhead circuit, relocating and replacing aged poles and hardware in the alley north of East Eight Street. The timing was coordinated with a City alley rebuild project.

A process for reliability project identification and prioritization was created, with a focus on the reduction of potential customer minutes out of service for each dollar spent.

The utility's Storm Restoration Manual was completely updated and communicated to employees with a focus on responsibilities and communication in order to shorten the time needed for the utility to be fully effective during an event.

## TECHNOLOGY

Projects started and/or completed throughout the year included the following:

- Completed electric meters and started water meter replacements for AMI.
- Successful RFP for FTTP project, which received Board approval for a phase one deployment.
- Launched a new safety map that displays abnormal system electric conditions.
- Launched paperless Board packets utilizing iPads and software.

# Our Year

## EMPLOYEES

TCL&P employs thirty-five electric utility specific employees, of which twenty-five are union and ten are non-union. For the 2018-2019 FY, the utility had four new hires, two voluntary separations and one retirement.

A highlight for the year was the recruitment efforts to fill two vacant Lineworker positions. Staff underwent an extensive review of wages and benefits as compared with competing utilities. These efforts resulted in the utility successfully negotiating a letter of agreement with the UWUA that increased the wage for incoming Lineworkers while also modifying the retirement plan offering from a Defined Benefit to a Defined Contribution.

## FINANCIAL

The utility continues to be financially healthy while providing the fourth lowest retail rates in the State of Michigan (EIA 2018 data). The implementation of the five-year rate plan is currently underway with the goals of simplifying the rate structure for ease of billing, correct subsidies between rate classes and to modify the rates within each tariff to reflect the cost of service while promoting energy conservation. During the fiscal year the utility implemented a revenue neutral rate increase for various classes. This will provide different rate classes varying levels of an increase/decrease to their bill based on energy consumption.

The average purchase power cost in the prior fiscal year was \$60.10 and decreased slightly to \$59.50 in the current fiscal year, which is approximately 65% of the utility's expenses.

## GENERATION

Keeping with the commitment on reaching the goal of 100% renewable by 2040, with the intermediate goal of 40% by 2025, staff and the Board initiated a study on the feasibility of a new renewable energy project with the construction of a solar array generating unit on TCL&P property on Cedar Run Road. Staff has been working on another potential local project with Cherry Capital Airport on the installation of up to 10 MW of solar generation on airport owned property. On a more utility grade scale, the utility has been working with Michigan Public Power Agency and during the year committed to purchase 29.6 MW of solar generation currently under in development in Calhoun and Shiawassee County. The utility continues to work closely with Michigan Public Power Agency to ensure the utility will meet the strategic plan's renewable goal of 100% by 2040.

## ENERGY WASTE REDUCTION

In 2019, TCL&P had one of its biggest years for the Energy Waste Reduction program. The commercial and industrial program alone saved around 4.7 million kilowatt hours. This is nearly 200% of its goal. While lighting is still a large majority of the energy saving measures that are being implemented, air compressor projects also played a big role in achieving those savings.

Residential also had a good year, achieving 100% of its goal. The highlight of the year for the residential program was TCL&P's participation in multiple workshops to educate low income customers on ways to save energy and utilize more efficient products. Each customer that attended was able to receive an energy saving kit to use in their home.

There were four loans awarded in 2019 through Venture North's 0% efficiency loan program. The total amount distributed was just under \$35,000.

# Mutual Aid



A TCL&P line crew was sent to the U.P. to assist Cloverland Electric Cooperative restore power following a February winter storm.

# Balance Sheet

## ASSETS

### Current assets

Cash and cash equivalents	\$ 526,028
Receivables	
Customer, less allowances of \$330,690 for uncollectible accounts (L&P Fund)	3,381,294
Accrued interest	63,049
Taxes	5,992
Other	361,693
Inventories	1,505,744
Prepaid expenses	97,294

**Total current assets** 5,941,094

### Non-current assets

Investments	14,821,332
Accounts receivables	1,397,631
Long-term advances - due from primary gov't	154,197
Land and land improvements	1,105,070
Construction in progress	2,061,270
Capital assets being depreciated, net	64,985,417

**Total non-current assets** 84,524,917

**Total assets** 90,466,011

### Deferred outflows

Deferred outflows of resources - Pensions	3,518,243
Deferred outflows of resources - OPEB	589,934

**Total deferred outflows of resources** 4,108,177

## LIABILITIES AND NET POSITION

### Current liabilities

Accounts payable	\$ 2,145,529
Accrued expenses and other liabilities	1,163,789
Customer deposits	95,506
Compensated absences	24,474
Unearned revenue	14,815
Due to primary government	94,250

**Total current liabilities** 3,538,363

### Long-term liabilities

Compensated absences	157,633
Net pension liability	12,200,960
Net other post employment benefit liability	1,902,402

**Total liabilities** 17,799,358

### Deferred inflows

Deferred inflows of resources - Pensions	1,122,177
Deferred inflows of resources - OPEB	406,356

**Total deferred inflows of resources** 1,528,533

### Net position

Invested in capital assets	68,151,757
Unrestricted	7,094,540

**Total net position** \$ 75,246,297

# Revenue and Expenses

	FYE 2019	FYE 2018
<b>Operating revenues</b>		
Charges for services	\$ 30,819,183	\$ 31,783,555
MISO income	3,272,858	3,090,792
Other	519,199	315,848
<b>Total operating revenues</b>	<b>34,611,240</b>	<b>35,190,195</b>
<b>Operating expenses</b>		
Purchase Power	21,050,558	20,881,494
Distribution	4,330,572	3,701,031
Transmission	452,920	466,889
Customer accounting	627,151	477,359
Public service	457,008	448,879
Information Systems	378,066	
General administration	987,374	1,192,961
Fiber	240,945	171,026
WIFI	32,891	27,646
Other	69,882	68,086
City fee	1,746,628	1,762,822
Depreciation	3,026,532	2,781,499
<b>Total operating expenses</b>	<b>33,400,527</b>	<b>31,979,692</b>
<b>Operating income</b>	<b>1,210,713</b>	<b>3,210,503</b>
<b>Nonoperating revenues (expenses)</b>		
Rental income	141,099	122,908
Reimbursements	264,508	968,566
Interest income	268,933	242,075
Change in fair value of investments	359,434	(244,001)
Loss on sale of assets	(244,770)	(201,668)
<b>Total nonoperating revenue</b>	<b>789,204</b>	<b>887,880</b>
Income before special items	1,999,917	4,098,383
Special Item (old meter write-off)	(1,034,859)	n/a
Change in net position	965,058	4,098,383
Net position, beginning of year	74,281,239	70,182,856
<b>Net position, end of year</b>	<b>\$75,246,297</b>	<b>\$74,281,239</b>



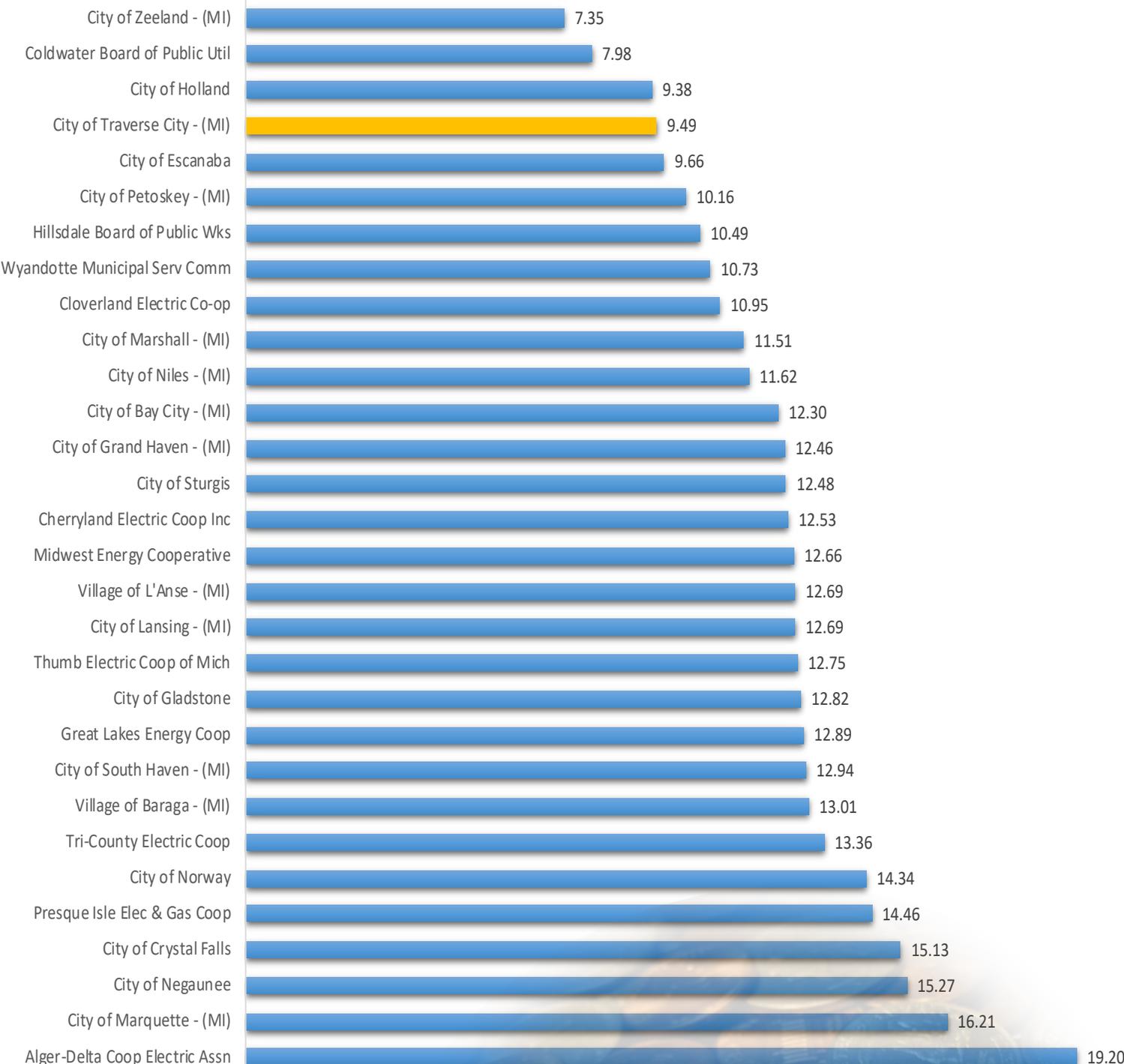
## Where Does It Go?

For every dollar paid to the utility, 62¢ is spent on purchased power and related transmission costs.

Distribution & Transmission	14¢
Capital Investment	12¢
City Fee	5¢
General Administration	3¢
Customer Accounting	2¢
Information Systems	1¢
Public Service	1¢

# Rate Comparison

## AVERAGE PRICE (CENTS/KWH) INFORMATION OBTAINED FROM EIA - 2018 DATA



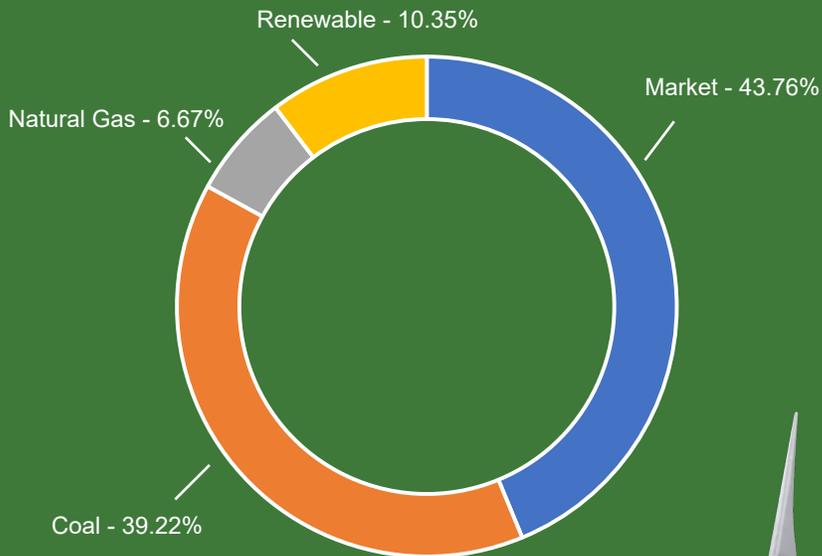
# Financial, Operating & Other Ratios

(Fiscal Years Ending June 30, 2019, 2018, 2017 and 2016)

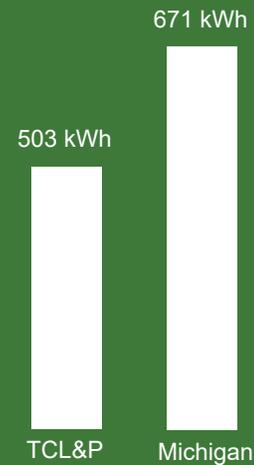
Ratio Description	2019	2018	2017	2016	Industry Average
<b>FINANCIAL RATIOS</b>					<b>APPA</b>
<b>Revenue per KWH*</b>					<b>10,000-20,000</b>
					<b>Customers</b>
* All Retail Customers	\$ 0.093	\$ 0.096	\$ 0.095	\$ 0.098	\$ 0.095
* Residential Customers	\$ 0.108	\$ 0.107	\$ 0.106	\$ 0.109	\$ 0.109
* Commercial Customers	\$ 0.102	\$ 0.106	\$ 0.104	\$ 0.108	\$ 0.102
* Industrial Customers	\$ 0.073	\$ 0.077	\$ 0.077	\$ 0.080	\$ 0.069
Debt to Total Assets	N/A	N/A	N/A	N/A	0.240
Operating Ratio	1.078	1.006	1.043	1.082	0.866
Current Ratio	1.65	2.44	3.66	5.37	2.98
Net income per revenue dollar	\$ 0.033	\$ 0.119	\$ 0.053	\$ 0.052	\$ 0.092
Uncollectible accounts per revenue dollar	\$ 0.0003	\$ 0.0001	\$ 0.0002	\$ 0.0001	\$ 0.0026
<b>OPERATING RATIOS</b>					
Retail customers per employee	379	378	381	341	349
Total OM expense per KWH sold	\$ 0.096	\$ 0.089	\$ 0.092	\$ 0.099	\$ 0.082
Total OM expense per retail customer	\$ 695	\$ 674	\$ 658	\$ 731	\$ 469
Total power supply expense per KWH sold	\$ 0.066	\$ 0.063	\$ 0.067	\$ 0.070	\$ 0.065
Purchased power cost per KWH	\$ 0.059	\$ 0.060	\$ 0.065	\$ 0.065	\$ 0.063
Retail customers per meter reader	4,422	6,242	6,283	5,113	5,788
Distribution OM expense per retail customer	\$ 326	\$ 296	\$ 302	\$ 346	\$ 179
Distribution expense per circuit mile	\$ 12,373	\$ 10,574	\$ 10,857	\$ 12,643	\$ 5,864
Customer accounting, service and sales expense per retail customer	\$ 34	\$ 38	\$ 40	\$ 45	\$ 52
Administrative and general expense per retail customer	\$ 74	\$ 96	\$ 100	\$ 77	\$ 181
<b>OTHER RATIOS</b>					
Energy loss percentage	10.22%	6.22%	2.23%	6.93%	3.37%
System Load Factor	58.67%	57.64%	59.72%	53.84%	55.60%

# THE BIG PICTURE

## FY 2018-2019 GENERATION BY FUEL TYPE



## AVERAGE MONTHLY RESIDENTIAL USE \*



\*Average is based on eia.gov data for Michigan.



## TCL&P ENERGY CUSTOMERS

Customer Type	Average Meters Billed	Consumption (MWh)	Sales
Residential	9623	57,198	\$5,943,504
Commercial	3272	139,264	\$14,682,997
Industrial	38	111,908	\$9,106,566
<b>TOTAL</b>	<b>12,933</b>	<b>308,370</b>	<b>\$29,733,067</b>

## SYSTEM



TCL&P has 447.80 miles of overhead & underground lines.



TCL&P owns 5 distribution substations, 1 transmission substation & co-owns 2 other transmission substations.

# Meet the Team



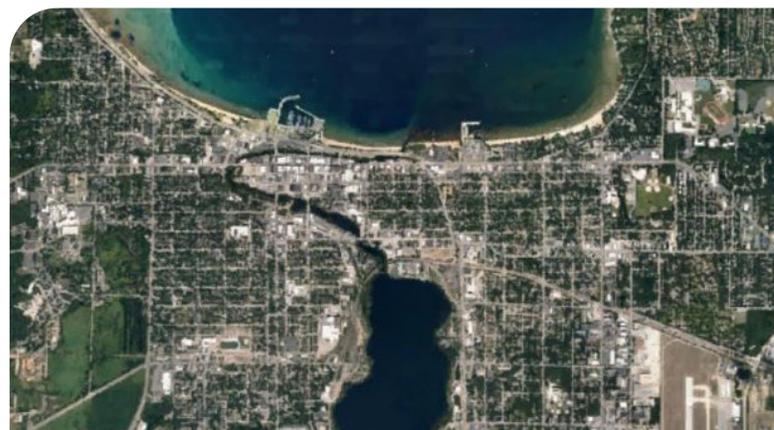
## Our Board

Patrick McGuire, Board Chairperson  
John Taylor, Board Vice-Chairperson  
Amy Shamroe, City Commissioner  
Tim Werner, City Commissioner

Ross Hammersley, Board Member  
Elysha Davila, Board Member  
Paul Heiberger, Board Member  
Marty Colburn, City Manager (Ex-Officio)

## Our Administrative Team

Timothy Arends, Executive Director  
Jennifer St. Amour, Administrative Assistant  
Karla Myers-Beman, Controller  
Scott Menhart, Chief Information Officer  
Daren Dixon, Operations Manager  
Kelli Schroeder, Manager of HR & Communications  
Mark Watson, Field Engineering Supervisor  
Tony Chartrand, System Engineer  
Rodney Solak, Line Superintendent  
Stephanie Tvardek, Scheduling & Operations Coordinator  
Jacob Hardy, Energy Technician/Key Account Manager



<b>TOTAL EMPLOYEES</b>	<b>35</b>
<b>YEARS IN OPERATION</b>	<b>105</b>
<b>AREAS SERVED</b>	<b>Traverse City &amp; parts of East Bay, Elmwood, Garfield &amp; Peninsula Townships</b>

Photo courtesy of Google Maps