

MEETING NOTICE

A STUDY SESSION

Of The

TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

WEDNESDAY, March 31, 2010

At

5:15 p.m.

In The

TCL&P SERVICE CENTER

1131 Hastings Street
Traverse City, MI 49686

Traverse City Light and Power will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon notice to Traverse City Light and Power. Individuals with disabilities requiring auxiliary aids or services should contact the Light and Power Department by writing or calling the following.

AGENDA

Roll Call

1. Discussion of the Proposed 2010-11 Six Year Capital Improvements Plan and Operating Budgets.
2. Public Comment

Traverse City Light and Power
1131 Hastings Street
Traverse City, MI 49686
(231) 922-4942

Posting Date: 03-26-10
3:00 p.m.



TRAVERSE CITY
LIGHT & POWER

To: Light and Power Board
From: Ed Rice, Executive Director
Subject: 2010-11 Proposed Six Year Capital Plan & Operating Budgets
Date: March 25, 2010

Enclosed are the proposed 2010-11 Six Year Capital Plan and the operating budgets for the Fiber Optics Fund and the Electric Utility Fund that will be discussed at our study session on Wednesday, March 31, 2010. I have reviewed the individual budgets by line item for each business with staff and will be prepared to answer any questions you may have.

SIX YEAR CAPITAL PLAN:

Staff has incorporated three new projects into this year's Capital Plan along with updating anticipated capital costs for other listed projects. Planned for next fiscal year is installation of solar panels at the Hastings Street service center that would provide 50kW of generation. Also, we have added two new projects under the Fiber Fund to include line extensions for new customer installations (costs would be reimbursed by the customer being connected), and the Wi-Fi Project for the planned installation of infrastructure to support wireless internet connectivity, scheduled to be an expanding program as financially justified.

FIBER OPTICS FUND:

The Updated Fiber Business Plan presented to the board more than a year ago called for the addition of new customers. While we have been successful in meeting the new customer numbers from the Plan there continues to be interest from businesses and governmental units for increased utilization of the system which bodes well for the Fiber Fund. While expenses for next year are budgeted to remain constant the operating revenues are expected to increase by \$20,000. Of note are reimbursement revenues (non operating revenue) of \$93,000 which represents anticipated capital cost reimbursements from new customers. The fiber fund is anticipated to have over \$90,000 in positive cash flow that will enable the fund to begin reimbursements to the electric utility fund.

Due to the current development of the Wi-Fi business revenues and expenses, we have not incorporated that business plan in next year's budget, though if the board votes to pursue Wi-Fi it will be operated out of this fund.

ELECTRIC UTILITY FUND:

No rate increase is currently planned in the proposed budget for 2010-11. The downturn in the local economy and a colder than normal summer in 2009 represents the cause of lower projected revenues than budgeted in the current fiscal year. Another factor that affected current year's lower revenues included energy optimization efforts which resulted in roughly 1.6 million fewer kWh sales. We are anticipating that this summer will return to more normal temperatures; our revenue forecast also is anticipating a slight upturn in the local economy and additional energy optimization efforts.

New to our budget for next year is the addition of purchased power from Heritage Stoney Corners Wind Farm and Granger landfill gas. This new generation brings the utility's renewable generation to nearly 10%. The increased cost/kWh of these new generation sources are partially offset through the power cost recovery charge to customers.

Other departments within the utility reflect no significant changes other than typical inflationary increases of 2.5%. A new line expense category in the Distribution Operation & Maintenance Department is for traffic signal operations & maintenance in the amount of \$180,600 which used to be managed by the City Streets Department. Conservation & Public Services includes an increase in PA295 energy optimization efforts to \$275,000 for next year. The Administration Department reflects the addition of 2 new positions, both of which will be offset by reduced expenses for outsourcing of marketing and IT efforts.

In summary, revenues are projected to increase by 7.8% which is offset by an increase in expenses of 7.9%. The 7.9% increase in expenses is mainly due to a 9.1% increase in generation expenses. I believe this proposed budget is consistent with conservative budgeting practices, incorporates direction from the Board through the Strategic Planning Process, and supports the decision to not recommend a customer rate increase in the coming fiscal year.



TRAVERSE CITY
LIGHT & POWER

Investing Our Energy In You

Vision Statement

The Vision of TCL&P is to enhance the local quality of life by securing our energy future.

Mission Statement

TCL&P is a customer focused utility that provides reliable and competitively priced energy services that benefit the community.

2010 Strategic Goals

1. Ensure employee and public safety.
2. Acquire diversified electric generation assets and achieve 30% of our electric power requirements through renewable energy resources by 2020, as financially responsible.
3. Insulate customer rates from volatile power market prices.
4. Provide a high level of system reliability, including local generation.
5. Emphasize customer and community relations.
6. Continue to serve as a leader in sustainable energy strategies and energy conservation.
7. Promote a culture of continuous improvement throughout the organization.
8. Support economic development in the community.



**TRAVERSE CITY
LIGHT & POWER**

SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2010

INTERNAL FINANCING:

GENERATION:

Baseload Capacity – Biomass

Location: Local distributed generation – either inside or outside City Limits

Character: Biomass electric generating facilities

Extent: Costs related to biomass generating facilities to provide up to 20 MWatts of baseload generation capacity.

Estimated Cost: \$12.1 Million

Fiscal Year(s): 2010-11 through 2015-16

Solar Generation – 50 kW (NEW)

Location: Local solar generation inside the City Limits

Character: Solar panels on buildings or rooftops

Extent: Costs related to installation of solar panels to provide up to 50 KWatts of generation.

Estimated Cost: \$500,000

Fiscal Year(s): 2010-11

DISTRIBUTION and SUBSTATION:

Line Improvements, Extensions, New Services

Location: Throughout the entire service area

Character: Construction/replacement of overhead and underground distribution facilities involving the use of wire, poles, meters, cabinets, and transformers.

Extent: This is an annual project in which wages, benefits, and equipment charges are capitalized for upgraded existing services or to provide for new customer services.

Estimated Cost: \$6.1 Million

Fiscal Year(s): 2010-11 through 2015-16 (Annual Program)



**TRAVERSE CITY
LIGHT & POWER**

SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2010

DISTRIBUTION and SUBSTATION (continued):

Overhead to Underground Conversion Projects

Location: Throughout the entire service area

Character: Conversion of overhead transmission and/or distribution facilities to underground.

Extent: Annual Program for Approved Projects.

Estimated Cost: \$7 Million

Fiscal Year(s): 2010-11 through 2015-16 (Annual Program)

Distribution Circuit Additions/Upgrades

Location: Throughout the entire service area

Character: Construction of new overhead distribution circuits

Extent: New circuits and upgrade of existing circuits to improve reliability and serve anticipated growth.

Estimated Cost: \$300,000 per fiscal year

Fiscal Year(s): 2010-11 through 2015-16 (Annual Program)

New 69kV/13.8kV Distribution Substation/Site

Location: Southern portion of service area – possibly outside city limits.

Character: Construction of new 69/13.8kV distribution substation.

Extent: To include land purchase and facilities

Estimated Cost: \$4.25 Million

Fiscal Year(s): 2010-11 through 2011-12

Pine Street Overhead to Underground Conversion

Location: Starting from behind Hall Street Substation South along Pine Street & crossing the Boardman River.

Character: Convert existing overhead distribution facilities to underground.

Extent: In concert with TIF 97 Plan for Pine Street projects – this is a two phase project as directed by the DDA through the TIF 97 Plan.

Estimated Cost: \$1 Million

Fiscal Year(s): 2012-13



**TRAVERSE CITY
LIGHT & POWER**

SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2010

TRANSMISSION and SUBSTATION:

Inventory of Materials for Substation, Transmission & Distribution

Location: 1131 Hastings Street

Character: Inventory Purchases

Extent: Provide for contingency reserve equipment/supplies.

Estimated Cost: \$50,000

Fiscal Year(s): 2010-11

69kV Load Break Switches

Location: Three separate locations - S Airport Sub Junction on LaFranier Rd, Barlow Junction near Barlow Substation, & Cass Road Junction near Twelfth Street

Character: New steel poles & transmission switches

Extent: Replacing wood poles and switches with new steel poles & switches

Estimated Cost: up to \$600,000

Fiscal Year(s): 2013-14 through 2015-16

New 69kV Transmission Line and Substation – East Side

Location: East Side of Service Area (to be determined – substation and majority of the transmission line would be outside the city limits)

Character: Overhead transmission facilities to include new poles and wire

Extent: From a new transmission substation to an existing distribution substation (to be determined)

Estimated Cost: \$5.2 Million

Fiscal Year(s): 2010-11 through 2011-12

Transmission Line Re-conductor

Location: Existing transmission corridor along Hammond, Barlow, LaFranier, Cass, Wadsworth, and north end of Boardman Lake

Character: Overhead transmission facilities to include new poles and wire.

Extent: Re-conductor/rebuilding of existing 69kV transmission lines with new 69kV transmission lines.

Estimated Cost: \$3.67 Million

Fiscal Year(s): 2012-13 through 2015-16



**TRAVERSE CITY
LIGHT & POWER**

SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2010

FACILITIES:

Wind Turbine Refurbishment

Location: Bugai Road @ M-72

Character: Replace existing gear box with new gear box

Extent: Repair or replacement due to normal wear.

Estimated Cost: \$150,000

Fiscal Year(s): 2015-16

Hastings Service Center Facility Improvements

Location: 1121 to 1131 Hastings Street

Character: Site improvements to existing facility

Extent: Demolition/Property acquisition and facility expansion/improvements

Estimated Cost: \$1.2 Million

Fiscal Year(s): 2010-11 through 2015-16(Annual Program)

SCADA, COMMUNICATIONS, and OTHER ITEMS:

Smart Metering Technologies

Location: Entire Service Area

Character: Electric meters and software to accommodate “smart metering” capabilities.

Extent: An annual program to provide for the migration to electronic “smart” meters that will assist utility customers on energy use and reliability.

Estimated Cost: \$600,000

Fiscal Year(s): 2010-11 through 2015-16(Annual Program)

SCADA (Supervisory Control and Data Acquisition)/Dispatch Improvements

Location: 1131 Hastings Street and Hall Street Substation

Character: Expansion of capabilities in 24 hour control center

Extent: Equipment upgrades and improvements/modifications to the current control room and to provide for a remote SCADA control center.

Estimated Cost: \$100,000

Fiscal Year(s): 2010-11



SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2010

OTHER FINANCING SOURCES: LARGE GENERATION PROJECTS:

Baseload Capacity – Biomass

Location: *Local distributed generation – either inside or outside City Limits*

Character: *Biomass electric generating facilities*

Extent: *Costs related to biomass generating facilities to provide up to 20 Mwatts of baseload generation capacity.*

Estimated Cost: *\$68 Million*

Fiscal Year(s): *2013-14 through 2014-15*

FIBER OPTICS FUND:

Fiber Extensions – Customer Installations - (NEW)

Location: *Within the L&P service area.*

Character: *Fiber Optic facilities extending from current facilities.*

Extent: *Costs related to line extensions to customer facilities (either overhead or underground)*

Estimated Cost: *\$336,500*

Fiscal Year(s): *2010-11 through 2015-16*

Wi-Fi Project - (NEW)

Location: *Within the L&P service area*

Character: *Upgrade of facilities to allow for Wi-Fi (wireless internet access)*

Extent: *Costs related to installing facilities that allow for wireless internet access, or “hot zones” throughout the service area.*

Estimated Cost: *\$850,000*

Fiscal Year(s): *2010-11 through 2015-16*

**TRAVERSE CITY LIGHT & POWER
SIX YEAR CAPITAL IMPROVEMENTS PLAN - 2010**

This worksheet is for illustration purposes only and is supplemental information to the Plan

	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Project Totals	Project Notes
INTERNAL FINANCING:								
Generation:								
	Baseload Capacity - Biomass Project(s)	\$ 1,100,000	\$ 1,000,000	\$ 1,000,000	\$ 5,000,000	\$ 2,000,000	\$ 2,000,000	\$ 12,100,000
NEW	Solar Generation - 50kW	500,000	---	---	---	---	---	500,000
Total Generation		1,600,000	1,000,000	1,000,000	5,000,000	2,000,000	2,000,000	12,600,000
Distribution and Substation:								
	Line Improvements, Extensions, New Services	950,000	975,000	1,000,000	1,025,000	1,050,000	1,100,000	6,100,000 Annual Program
	OH to URG Conversion Projects	2,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	7,000,000 Annual Program
	Distribution Circuit Additions/Upgrades	300,000	300,000	300,000	300,000	300,000	300,000	1,800,000 Annual Program
	69kV/13.8kV Distribution Substation/Site	2,125,000	2,125,000	---	---	---	---	4,250,000
	Pine Street Overhead to Underground Conv.	---	---	1,000,000	---	---	---	1,000,000 With TIF 97 Project
Total Distribution and Substation		5,375,000	4,400,000	3,300,000	2,325,000	1,650,000	1,650,000	20,150,000
Transmission and Substation:								
	Inventory of Materials - Substation and T&D	50,000	---	---	---	---	---	50,000
	69kV Load Break Switches	---	---	---	200,000	200,000	200,000	600,000
	New 69kV Transmission Line & Sub - East Side	2,000,000	3,200,000	---	---	---	---	5,200,000
	Transmission Line Re-Conductor	---	---	570,000	1,000,000	1,500,000	600,000	3,670,000
Total Transmission and Substation		2,050,000	3,200,000	570,000	1,200,000	1,700,000	800,000	9,520,000
Facilities:								
	Wind Turbine Refurbishment	---	---	---	---	---	150,000	150,000
	Hasting Service Center Facility Improvements	500,000	500,000	50,000	50,000	50,000	50,000	1,200,000 Annual Program
Total Facilities		500,000	500,000	50,000	50,000	200,000	200,000	1,350,000
SCADA, Communications, and Other Items:								
	Smart Metering Technologies	100,000	200,000	150,000	50,000	50,000	50,000	600,000 Annual Program
	SCADA/Dispatch Improvements	100,000	---	---	---	---	---	100,000
Total SCADA, Communications & Other Items		200,000	200,000	150,000	50,000	50,000	50,000	700,000
TOTAL INTERNAL FINANCING		\$9,725,000	\$9,300,000	\$5,070,000	\$8,625,000	\$5,600,000	\$4,700,000	\$44,320,000

OTHER FINANCING SOURCES:

Large Generation Projects:

	Baseload Capacity - Biomass Project(s)	---	---	---	\$ 25,000,000	\$ 43,000,000	---	\$ 68,000,000
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FIBER OPTICS FUND:

NEW	Fiber Extensions - Customer Installations	\$ 86,500	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 336,500 Reimbursed by customer
NEW	Wi-Fi Project	350,000	100,000	100,000	100,000	100,000	100,000	850,000
Total Large Generation Projects		\$436,500	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$1,186,500

(Actual fiscal year that a project may be undertaken may differ from the fiscal year depicted in this spreadsheet.)

**City of Traverse City, Michigan
Fiber Optics Fund
2010-11 Budgeted Revenues and Expenses**

	FY 08/09 Audited	FY 09/10 Budgeted	FY 09/10 Projected	FY 10/11 Recommended
<u>Operating revenues:</u>				
Charges for services	\$ 110,526	\$ 206,900	\$ 167,692	\$ 192,800
Miscellaneous	7,880	6,700	4,464	0
Total operating revenues	\$ 118,406	\$ 213,600	\$ 172,156	\$ 192,800
<u>Operating expenses:</u>				
Office & operating supplies	\$ 4,931	\$ 1,250	\$ 4,450	\$ 4,600
Supervision & maintenance	43,588	65,000	32,906	33,600
Overhead lines	4,097	0	1,400	1,500
Customer installations	18,607	0	18,200	18,700
Termination boxes	2,023	0	20,500	21,000
Safety	50	250	-	-
Tools	1,684	2,850	2,400	2,750
Professional services	38,539	1,500	-	1,000
Legal services	982	1,300	850	1,000
Rent expense	14,116	7,500	5,250	-
City fee	5,920	10,650	8,608	9,640
Professional development	13,512	2,500	-	1,500
Insurance	0	1,350	-	-
Repair and maintenance	0	0	-	5,000
Vehicle rental	415	5,800	-	1,000
Miscellaneous	68	350	-	350
Depreciation expense	73,334	79,900	80,000	80,500
Total operating expenses	221,865	180,200	174,564	182,140
Operating income/(loss)	(103,459)	33,400	(2,408)	10,660
<u>Non-operating revenues:</u>				
Reimbursements	75,120	7,300	50,909	93,188
Net income	\$ (28,339)	\$ 40,700	\$ 48,501	\$ 103,848

City of Traverse City, Michigan
TRAVERSE CITY LIGHT & POWER
 2010-11 Budgeted Revenues and Expenses

	FY 08/09 Actual	FY 09/10 Budgeted	FY 09/10 Projected	FY 10/11 Recommended
<u>Operating Income:</u>	\$28,412,239	\$29,564,000	\$26,575,000	\$28,660,000
<u>Operating Expenses:</u>				
<u>Generation Expenses:</u>				
Purchased Power - MPPA Pool	\$6,424,085	\$7,500,000	\$5,750,000	\$2,850,000
Purchased Power - Bridge Agreement	0	0	0	2,500,000
Stoney Corners - Wind Energy	0	0	0	1,250,000
Combustion Turbine Power Cost	3,407,813	4,000,000	3,620,000	3,680,000
Cambell #3 Power Cost	3,694,297	4,132,000	3,231,000	3,280,000
Belle River #1 Power Cost	2,697,116	2,750,000	2,685,000	2,883,000
Landfill Gas - Granger Project	0	0	5,000	250,000
Other Generation Expenses	641,162	533,900	471,450	426,000
Total Generation Expenses	16,864,473	18,915,900	15,762,450	17,119,000
<u>Distribution Expenses:</u>				
Operations & Maintenance	2,671,592	2,670,700	2,743,300	2,899,900
<u>Transmission Expenses:</u>				
Operations & Maintenance	391,996	238,000	173,850	178,600
<u>Other Operating Expenses:</u>				
Customer Accounting	552,331	577,600	617,400	627,400
Conservation & Public Services	245,527	521,000	458,500	563,700
Administrative & General	1,108,795	1,197,800	1,210,900	1,281,800
Insurance	102,605	110,000	80,900	90,000
Depreciation Expense	1,500,544	1,600,000	1,575,000	1,665,000
City Fee	1,454,540	1,498,200	1,347,800	1,450,000
Total Other Operating Expenses	4,964,342	5,504,600	5,290,500	5,677,900
Total Operating Expenses	24,892,403	27,329,200	23,970,100	25,875,400
Operating Income/Loss	\$3,519,836	\$2,234,800	\$2,604,900	\$2,784,600
<u>Non Operating Revenues/(Expenses):</u>				
Non Operating Revenues	947,480	726,200	527,100	482,400
Non Operating Expenses	(25,145)	0	0	0
Total Non Operating Revenue/(Exp)	922,335	726,200	527,100	482,400
Net Income	\$4,442,171	\$2,961,000	\$3,132,000	\$3,267,000

City of Traverse City, Michigan
TRAVERSE CITY LIGHT & POWER
 2010-11 Budgeted Revenues and Expenses

	FY 08/09 Actual	FY 09/10 Budgeted	FY 09/10 Projected	FY 10/11 Recommended
<u>GENERATION-OPERATING & MAINTENANCE:</u>				
Wind Generation - Traverse	\$ 37,202	\$ 40,000	\$ 36,500	\$ 37,500
Brown Bridge	12,364	15,000	3,700	4,000
Wind Generation Farm	241,190	0	33,150	0
Trap and Transfer	772	2,500	50	1,000
Union Street Fish Ladder	310	700	200	350
Kalkaska Combustion Turbine	183,537	250,000	180,000	185,000
Sabin Dam	4,428	4,000	4,600	4,700
Boardman Dam	4,155	5,000	3,500	3,700
Operation Supplies	2,017	2,800	2,000	2,100
Purchased Power - MPPA Pool	6,424,085	7,500,000	5,750,000	2,850,000
Purchased Power - Bridge Agreement	0	0	0	2,500,000
Stoney Corners - Wind Energy	0	0	0	1,250,000
Combustion Turbine Power Cost	3,407,813	4,000,000	3,620,000	3,680,000
Campbell #3 Power Cost	3,694,297	4,132,000	3,231,000	3,280,000
Belle River #1 Power Cost	2,697,116	2,750,000	2,685,000	2,883,000
Landfill Gas - Granger Project	0	0	5,000	250,000
<i>total purchased power</i>	<i>16,223,312</i>	<i>18,382,000</i>	<i>15,291,000</i>	<i>16,693,000</i>
Coal Dock	7,057	10,000	8,000	8,400
Communications	5,643	4,900	5,700	6,000
Safety	8,917	16,000	8,550	9,000
Tools	1,259	2,500	8,200	2,500
Professional and Contractual	118,070	150,000	175,000	150,000
Professional Development	13,169	15,000	1,500	10,000
TCLP Ashpit	0	2,000	0	0
TCLP Equipment Maintenance	956	6,500	500	1,000
Miscellaneous	115	1,500	300	750
Inventory Adjustment	<u>0</u>	<u>5,500</u>	<u>0</u>	<u>0</u>
Total Generation O & M	<u>16,864,473</u>	<u>18,915,900</u>	<u>15,762,450</u>	<u>17,119,000</u>