

A REGULAR MEETING

Of The

TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

TUESDAY, January 8, 2013

At

5:15 p.m.

In The

COMMISSION CHAMBERS
(2nd floor, Governmental Center)
400 Boardman Avenue

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.

Stephanie Tvardek
Administrative Assistant
1131 Hastings Street
Traverse City, MI 49686
(231) 932-4543

Traverse City Light and Power
1131 Hastings Street
Traverse City, MI 49686
(231) 922-4940

Posting Date: 1-03-13
4:30 p.m.

AGENDA

Pledge of Allegiance

1. Roll Call

2. Consent Calendar

The purpose of the consent calendar is to expedite business by grouping non-controversial items together to be dealt with by one Board motion without discussion. Any member of the Board, staff or the public may ask that any item on the consent calendar be removed therefrom and placed elsewhere on the agenda for full discussion. Such requests will be automatically respected. If an item is not removed from the consent calendar, the action noted in parentheses on the agenda is approved by a single Board action adopting the consent calendar.

- a. Consideration of approving minutes of the Special Meeting of December 18, 2012 (Approval recommended)
- b. Consideration of Authorizing Red Tag Revenue Distributions. (Arends) (Approval recommended)

Items removed from the Consent Calendar

- a.
- b.

3. Old Business

None.

4. New Business

- a. Consideration of Minimum Cash Reserve Policy. (Arends/Mark Beauchamp, UFS)
- b. National Cherry Festival Sponsorship request. (Wheaton/NCF)
- c. G.T. Conservation District Sponsorship request. (Wheaton/GTCD)

5. Appointments

None.

6. Reports and Communications

- a. From Legal Counsel.
- b. From Staff.
 1. GREM Program Presentation. (Cooper/Franklin Energy)
 2. First Quarter financial summary report. (Arends)

3. December Storm Response. (Olney)
 4. *TCL&P news and correspondence. (General – No Official Report)*
- c. From Board.
1. MECA board training. (Verbal – Spence)
 2. APPA board training opportunities. (McGuire)

7. Public Comment

/st

**TRAVERSE CITY
LIGHT AND POWER BOARD**

Minutes of Special Meeting
Held at 5:15 p.m., Commission Chambers, Governmental Center
Tuesday, December 18, 2012

Board Members -

Present: Barbara Budros, Jim Carruthers, Mike Coco, Bob Spence,
John Taylor, Patrick McGuire

Absent: John Snodgrass

Ex Officio Member -

Present: R. Ben Bifoss

Others: Tim Arends, W. Peter Doren, Stephanie Tvardek, Jim Cooper, Glen Dine,
Karen Feahr

The meeting was called to order at 5:15 p.m. by Chairman McGuire.

As requested by Alyssa Barrett, Agenda Item 2(c) was removed from the Consent Calendar for full discussion.

Item 2 on the Agenda being Consent Calendar

Moved by Carruthers, seconded by Budros, that the following actions, as recommended on the Consent Calendar portion of the Agenda as amended, be approved:

- a. Minutes of the Regular Meeting of November 27, 2012.
- b. Receive and file the minutes of the Executive Director Recruitment Ad Hoc Committee Meeting of November 13, 2012.
- c. *Removed from the Consent Calendar.*

CARRIED unanimously.

Items removed from the Consent Calendar

- a. Consideration of adopting MDOT Construction ROW Resolution.

The following individuals addressed the Board:

Tim Arends, *Interim* Executive Director/Controller

Moved by Coco, seconded by Budros, that the Board adopts the State of Michigan "Performance Resolution for Governmental Agencies" as requested by the State for issuance of an annual right-of-way permit.

The following individuals from the Public addressed the Board:

Alyssa Barrett, 9000 East Duck Lake Road

CARRIED unanimously.

Item 3 on the Agenda being Old Business

3(a). Consideration of East Side Transmission Line material purchase.

The following individuals addressed the Board:

Glen Dine, Chief Engineer
Tim Arends, *Interim* Executive Director

Moved by Coco, seconded by Taylor, that the Board authorize the Interim Executive Director to issue a purchase order to Power Line Supply in the amount of \$391,910.18 for line construction material required for the East Side 69kv Transmission Line Project, subject to any reel charges and cost of metal adjustments as noted in the bid.

CARRIED unanimously.

Item 4 on the Agenda being New Business

None.

Item 5 on the Agenda being Appointments

None.

Item 6 on the Agenda being Reports and Communications

A. From Legal Counsel.

None.

B. From Staff.

1. Jim Cooper gave an update regarding Energy Optimization goals and spending.

The following individuals addressed the Board:

Tim Arends, *Interim* Executive Director/Controller

2. Karen Fehr reported on the evaluation of the Kalkaska Combustion Turbine.

3. *TCL&P news and correspondence – no official report.*

The following individuals addressed the Board:

Tim Arends, *Interim* Executive Director/Controller

C. From Board.

1. Bob Spence will provide an update at the next board meeting regarding the MECA training he recently attended.

2. John Taylor gave an update regarding the Executive Director recruitment process.

3. Jim Carruthers reviewed the 2012 City of Traverse City Performance Report.
4. John Taylor spoke regarding the recent Chamber/MLUI Community Energy Plan meeting he attended.

Item 7 on the Agenda being Public Comment

The following individuals from the Public addressed the Board:

Ed Rice, 1664 Strasbourg, Non-Ratepayer

Janice Hicks, 1687 David Place, Non-Ratepayer

Alyssa Barrett, 9000 East Duck Lake Road, Non-Ratepayer

There being no objection, Chairman McGuire declared the meeting adjourned at 6:40 p.m.

/st

Tim Arends, Secretary
LIGHT AND POWER BOARD



To: Light and Power Board
From: Tim Arends, *Interim* Executive Director/Controller
Date: December 26, 2012
Subject: Red Tag Revenue Distribution

A handwritten signature or set of initials, possibly "TA", enclosed in a hand-drawn oval.

In 1996 Traverse City Light & Power implemented a fee of \$5.00 for each red tag (final disconnect notice) placed on a customer's door for unpaid delinquent utility charges. This fee is split with one-half recorded as Light and Power revenue to partially offset the cost of tagging a residence, and the other half is accumulated in a special account for distribution to agencies that assist area citizens in need.

Light & Power regularly refers its customers facing shut-off for non-payment to the Father Fred Foundation, Love I.N.C., Salvation Army, and Northwest MI Community Action Agency. Since 1996, when Light and Power implemented the red tag fee, L&P has distributed \$163,974 to these area agencies.

Currently there is \$14,557.29 in the distribution account, which represents one-half of the charges for red tags.

Staff is recommending that the Board approve distribution of the above amount to the area agencies previously listed. The past three years the Board has elected to donate 100% of red tag revenues to the agencies (which would amount to \$29,114.58 this year.) Contributions of this nature require City Commission approval.

If the Board agrees with staff's recommendation the following motion would be appropriate:

MOVED BY _____, SECONDED BY _____, THAT THE LIGHT & POWER BOARD AUTHORIZES THE DISBURSEMENT OF \$14,557.29, REPRESENTING 50% OF THE ANNUAL REVENUES FOR NON-PAYMENT SHUT-OFF NOTICE TAGGING FEES, TO THE FATHER FRED FOUNDATION, LOVE I.N.C., THE SALAVATION ARMY, AND NORTHWEST MI COMMUNITY ACTION AGENCY, SUBJECT TO CITY COMMISSION APPROVAL.



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Tim Arends, *Interim* Executive Director/Controller
Date: January 1, 2013
Subject: Minimum Cash Reserve Policy



Included in your packet is a proposed policy that would create guidelines in calculating a minimum cash reserve for the utility, with the amount to be approved annually through the budget process. The policy was created based on the recommendations of Utility Financial Solutions, LLC (UFS); a company that specializes in cost of service, rate design, and financial analysis.

Cash reserve policies and guidelines are often established by utilities to maintain appropriate cash reserves to help ensure that cash exists for timely payment of bills, short-term and long-term financial health of the utility, stable rates for customers, that cash exists to fund unanticipated costs of contingencies, the amount and timing of future bond issues are identified, and that a significant factor is being met for bond rating agencies.

Mark Beauchamp, UFS President, will be in attendance to explain why a utility should have a minimum cash reserve policy, and the assumptions made in recommending the appropriate policy for TCL&P, including the appropriate minimum reserve for TCL&P in the current fiscal year.

Staff recommends that the Board adopts the proposed policy. If the Board agrees with staff's recommendation the following motion would be appropriate to do so:

**MOVED BY _____, SECONDED BY _____,
THAT THE LIGHT & POWER BOARD ADOPTS THE MINIMUM CASH RESERVE
POLICY AS PRESENTED; AND FURTHER ESTABLISHES \$8,750,000 AS THE
MINIMUM CASH RESERVE FOR FISCAL YEAR 2012-13.**

Traverse City Light & Power Department

Cash & Investments – September 30, 2012:

\$ 27,706,772 *(Reduced by L&P's Bay Front Legacy Project Commitment)*

Reserved:

\$ 4,380,008 *(Uninsured Claims – Established by Board/Commission)*
1,938,914 *(MPPA Competitive Trust – Reserved for Rate Stabilization/Board)*
100,056 *(Emergency Reserve – Established by Commission)*
8,750,000 *(Proposed Minimum Reserve Level)*

\$ 15,168,978 Total Cash Reserves

Designated (major capital projects):

\$ 3,810,000 *(East Hammond Substation & Transmission Line-balance)*
3,800,000 *(Proposed South Substation Project)*
650,000 *(Circuit Rebuild-balance)*

\$ 8,260,000 Total Designated

\$ 23,428,978 Total Cash Reserves & Designated

\$ 4,277,794 Undesignated Cash & Investments

Traverse City Light and Power Department
City of Traverse City, MI
Adopted: _____

**TRAVERSE CITY LIGHT & POWER
MINIMUM CASH RESERVE POLICY**

To help ensure financial stability, timely completion of capital improvements and enable the utility to meet requirements for large unexpected expenditures, a minimum cash reserve policy is established.

This policy attempts to quantify the minimum amount of cash the utility should keep in reserve, the actual cash reserves may vary substantially above the minimum as a result of the following risk factors:

- Operations and Maintenance Risk
- Power Supply Risk
- Historical Investment Risk
- Debt Service Risk
- Five Year Capital Plan Risk

The minimum cash reserve calculation shall be updated annually as part of the budget process and should be calculated within the following guidelines:

Operations and Maintenance Risk

- **The minimum cash reserve will include 11.0% of the annual budgeted operating expenses excluding depreciation expense and power supply expenses.**
 - 11.0% assumes a 40 day lag between billing and payment receipt from customers. (40 days/365 days).

Power Supply Risk

- **The minimum cash reserve will include the amount of the Peak Month of the previous calendar year's power supply expenses, excluding one-time extraordinary adjustments.**

Historical Investment Risk

- **The cash reserve policy will include a % of the historical investment in assets as recorded in the most recently audited financial statements using the following risk table:**

Historical Investment Risk (continued):

Risk Table		
Depreciation Percent	0 - 49%	1.0%
Depreciation Percent	50 - 55%	2.0%
Depreciation Percent	Over 55%	3.0%

- **Example:** TCL&P is depreciated at 34.3% on 6-30-2012 as calculated below:

Historical Asset Investments		\$ 60,390,561
Accumulated Depreciation		20,714,992
Percent Depreciated		34.3%
Risk Associated with Historical Assets		1.0%

Debt Service Risk

- **The cash reserve policy will include a % of the current portion of debt service based on the table below:**
 - Typically bonds are set up on a semi-annual payment schedule. The minimum cash reserve will include the percentage of the maximum payment of the year. In the example below, this would represent 80.4% of the yearly debt payment.

Date	Principal	Interest	Total
10/1/2012	\$ -	\$ 123,313	\$ 123,313
4/1/2013	382,566	123,313	505,879
Total	\$ 382,566	\$ 246,626	\$ 629,192
Highest Payment divided by Annual Debt Service			80.4%

Five-Year Capital Plan Risk

- **The minimum cash reserve policy will include 20% of the average typical five year capital improvements program, less any improvements funded through the issuance of bonds. The average will not include extraordinary capital improvement(s) in an individual year(s).**

Minimum Cash Reserve Calculation

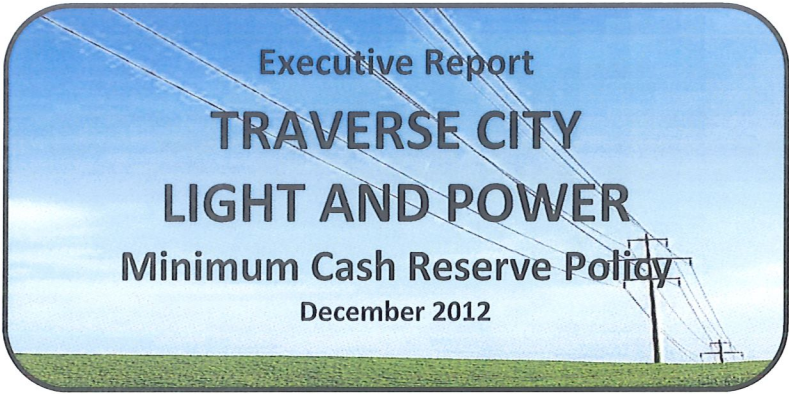
The minimum cash reserve calculation considers the risk “in total” and not each individual category. For example: catastrophic events can occur and the amount may far exceed the amount set aside under “Historical Investment in Assets”. Below is a sample calculation of the 2013 recommended minimum cash reserve based on the 2012 audited financial statements and 2013 Capital Improvements Plan:

Recommended MINIMUM Reserves	Risk Percent Allocated	Recommended Reserve
Yearly O&M Less Depreciation & Power Supply	11.0%	\$ 852,306
Power Supply	9.1%	2,020,867
Historical Investment in Assets	1.0%	603,906
Current Portion of Debt Service	0.0%	-
Five Year Capital Plan - Net of bond proceeds	20.0%	5,275,000
Recommended MINIMUM Reserves		\$ 8,752,079

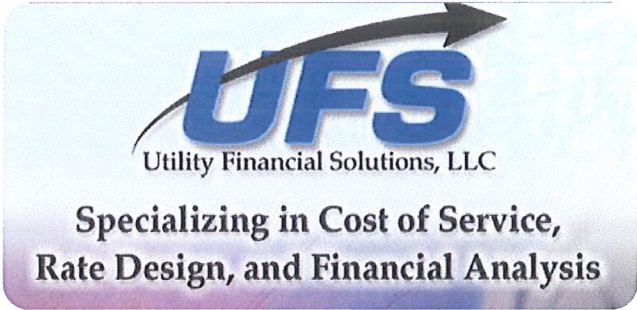
If certain events occur that results in cash reserves falling below the minimum cash reserve levels, the Board of Directors may take action to restore cash reserves to the minimum levels over the subsequent three years. These actions may include any or all of the following:

- *Rate Adjustments*
- *Cost reductions*
- *Issuance of bonds to fund capital projects*
- *Modification of the assumptions used to determine the minimum cash reserve levels*

 Timothy J. Arends
Interim Executive Director and Secretary
 Traverse City Light and Power Board



Executive Report
**TRAVERSE CITY
LIGHT AND POWER**
Minimum Cash Reserve Policy
December 2012





December 30, 2012

Mr. Tim Arends
Interim Executive Director
Traverse City, MI

Dear Mr. Arends,

We are pleased to present this executive summary report on development of an electric minimum cash reserve policy for the Traverse City Light and Power Department (TCLP).

To help ensure financial stability, timely completion of capital improvements and enable the utility to meet requirements for large unexpected expenditures, a minimum cash reserve policy should be established. Minimum cash reserves attempts to quantify the minimum amount of cash the utility should keep in reserve, the actual cash reserves may vary substantially above the minimum and is dependent on several risk factors for the utility.

The specific purposes of this study are:

- 1) Identify the major risk categories for the Electric Utility
- 2) Establish a risk factor for each exposure
- 3) Determine and recommend a minimum recommended cash reserve

This report includes the results and calculations of the analysis and recommended formula for a minimum reserve policy.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Beauchamp", is written over a horizontal line.

Utility Financial Solutions, LLC
Mark Beauchamp
CPA, MBA, CMA

	Page
1 Introduction.....	1
2 Methodology.....	2-5
3 Minimum Cash Reserve Calculation.....	3



Traverse City Light and Power Cash Reserve Policy

Introduction

Cash reserve policies and guidelines are often established by utilities to maintain appropriate cash reserves to help ensure:

1. Cash exists for timely payment of bills
2. The short-term and long-term financial health of the Utility
3. Stable rates for customers
4. Cash exists to fund unanticipated cost contingencies
5. The amount and timing of future bond issues are identified
6. A significant factor is being met for bond rating agencies

In recent years the compounded impacts of power supply cost uncertainties, a sluggish economy, volatile energy prices, and rising capital improvement costs have posed challenges to maintaining stable rates and cash reserves. It is important for utilities to maintain the financial flexibility to smooth rate increases and stagger rate adjustments for customers of the utility.

Minimum cash reserve guidelines proposed in this report should be set to allow reserves to fluctuate above the minimum guidelines. The decision to hold more money than the established minimum cash guidelines should be based on the assessments of uncertainties and other financial policies such as:

- The financial risk facing the utilities
- Rate setting policies
- Variability in power costs
- Debt policies
- Future capital improvements needed by utility
- Line Extension policies

The adequacy of the guidelines may be reviewed internally each year, and if appropriate, revised guidelines may be recommended.



Traverse City Light and Power Cash Reserve Policy

Methodology

Minimum cash reserves attempts to quantify the minimum amount of cash the utility should keep in reserve, the actual cash reserves may vary substantially above the minimum and is dependent on several risk factors discussed below.

The methodology used in this report is based on certain assumptions related to percent of operation and maintenance, purchase power, historical investment in assets, debt service and the five-year capital plan. The establishment of minimum cash reserves should consider a number factors including:

Operations and Maintenance Risk

Working Capital Lag - Timing differences exist between when expenses are incurred and revenues received from customers. Establishing a minimum cash reserve helps ensure cash exists to pay expenses in a timely manner.

- **The cash reserve policy will include 11.0% of annual operating expenses excluding depreciation expense and power supply expenditures.**
 - 11.0% was derived by assuming a 40 day lag between billing and payment receipt from customers. (40 days/365 days).



Traverse City Light and Power Cash Reserve Policy

Power Supply Risk

Max Month – The peak month power supply cost was used for the minimum cash policy. This represents 9.1% of the total yearly power supply.

- The cash reserve policy will include 9.1% (or the percentage of the Peak Month) of annual power supply.

	Allocated 2013 Power Supply Budget
July	\$ 1,972,326
August	2,020,867
September	1,957,671
October	1,780,787
November	1,872,550
December	1,789,125
January	1,880,037
February	1,701,250
March	1,974,941
April	1,600,886
May	1,950,169
June	1,689,577
Total	\$ 22,190,187
Peak Month	\$ 2,020,867
Percentage of total	9.1%



Traverse City Light and Power Cash Reserve Policy

Historical Investment Risk

Investment in assets – Catastrophic events may occur that require substantial investments to replace damaged assets. Some examples of catastrophic events include ice storms, earthquakes, wind storms, floods, or tornadoes. Many of these catastrophic events may allow the utility to recover the cost of damages from FEMA; however FEMA reimbursements can take between 6 months to 2 years to recover. The utility should ensure adequate cash reserves exist to replace the assets in a timely fashion and to arrange short term financing options. The minimum reserve levels are often combined with emergency funding from banks or bonding agencies. The percent to the minimum cash reserves are dependent on the age of the assets in service and the level of risk of catastrophic type events.

- **The cash reserve policy will include 1% of the historical investment in assets as recorded in the financial statements.**
 - **The typical range under this category is 1 – 3%. The following table represents determination of the risk factor:**

Risk Table		
Depreciation Percent	0 - 49%	1.0%
Depreciation Percent	50 - 55%	2.0%
Depreciation Percent	Over 55%	3.0%

- **TCLP is depreciated at 34.3% as calculated below:**

Historical Investment	\$ 60,390,561
Accum Depreciation	20,714,992
Percent Depreciated	34.3%
Risk Associated with historical Assets	1.0%



Traverse City Light and Power Cash Reserve Policy

Debt Service Risk

Annual debt service – Some debt service payments do not occur evenly throughout the year and often occur every six months. The utility has to ensure adequate cash reserves exist to fund the debt service payment when the payment is due.

- **The cash reserve policy will include 0% of the current portion of debt service.**
 - **Currently, TCLP does not have debt. However, should the utility incur debt in the future, TCLP should include the debt payment in the cash calculation. Typically bonds are set up on a semi-annual payment schedule. The analysis should include the percentage of the maximum payment of the year. In the example below, this would represent 80.4% of the yearly debt payment. Below is an example only for future reference. This was not used in the current policy for TCLP:**

Date	Principal	Interest	Total
10/1/2011	\$ -	\$ 123,313	\$ 123,313
4/1/2012	382,566	123,313	505,879
Total	\$ 382,566	\$ 246,626	\$ 629,192
Highest Payment divided by Annual Debt Service			80.4%

Five-Year Capital Plan Risk

Capital improvement program – Some capital improvements are funded through bond issuances and some through cash reserves. The establishment of a minimum cash reserve level helps to ensure timely replacement or construction of assets.

- **The cash reserve policy will include 20% of the average typical five year capital improvement program less any improvements funded through the issuance of bonds.**

	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017	Total
Total Capital Plan	\$ 14,140,000	\$ 5,160,000	\$ 5,035,000	\$ 5,510,000	\$ 5,910,000	
Bond Proceeds	-	-	-	-	-	
5 year plan less Bond proceeds	\$ 14,140,000	\$ 5,160,000	\$ 5,035,000	\$ 5,510,000	\$ 5,910,000	\$ 35,755,000

TCLP currently has a \$14 million project planned for 2012-13. The average of \$5.275 per year was used to calculate the cash reserve as the \$14 million project would significantly increase the total for the overall policy and appears to be an extraordinary capital improvement.



Traverse City Light and Power Cash Reserve Policy

Minimum Cash Reserve Calculation

The minimum cash reserve calculation considers the risk “in total” and not each individual category. For example; catastrophic events can occur and the amount may far exceed the amount set aside under “Historical investment in assets”.

If certain events occur that results in cash reserves falling below the minimum cash reserve levels, the Board of Directors should take action to restore cash reserves to the minimum levels over the subsequent three years. These actions may include a number of options:

1. Rate Adjustments
2. Cost reductions
3. Issuance of bonds to fund capital improvement programs
4. Modification of the assumptions used to determine the cash reserve levels

Based on 2011-12 Actual expenditures, the proposed 2013 recommended minimum cash reserve is \$8.75 million as calculated below:

Recommended MINIMUM Reserves	Risk Percent Allocated	Recommended Reserve
Yearly O&M Less Depreciation & Power Supply	11.0%	\$ 852,306
Power Supply	9.1%	2,020,867
Historical Investment in System	1.0%	603,906
Current Portion of Debt Service	0.0%	-
Five Year Capital Plan - Net of bond proceeds	20.0%	5,275,000
Recommended MINIMUM Reserves		\$ 8,752,078

*For simplification, the calculation can be estimated by the O&M budget (no depreciation) and using 101 day working capital

<u>Overall Policy Working Capital Days/O&M expenses</u>	
Expenses	\$ 31,775,659
Minimum Cash Recommendation	8,752,078
Expenses/Minimum recommendation	3.63
Days in year	365.00
Days working capital	101

It is important to emphasize this is a recommended minimum cash reserve. Actual cash reserves may vary substantially above the minimum and is dependent on the life cycle of assets, future capital plan, rate setting polices, and debt policies.

The minimum cash reserve calculation should be updated annually as part of the budget process. The discussion with the Board of Directors should include a visual description of the past trends, current position and future projections.



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Jessica Wheaton, Marketing & Community Relations Coordinator
Date: December 26, 2012
Subject: National Cherry Festival Senior Events Sponsorship

A handwritten signature in black ink, appearing to be "JW", is located to the right of the "From:" line in the header.

For the past 20 plus years, Traverse City Light & Power (TCL&P) has sponsored the National Cherry Festival (NCF). Because the senior rate payers make up a large percentage of the customer base, TCL&P has specifically sponsored the Senior Events. The Senior Events take place every day during the NCF and consist of events like the Distinguished Senior Breakfast and award ceremony, where a TCL&P representative judges the Distinguished Senior Competition and honors one senior citizen for their contributions to the Traverse City area. Grand Traverse Pavilions is a co-sponsor with TCL&P of the NCF's Senior Events, and they have committed to renewal of the sponsorship for 2013.

The Senior Events sponsorship cost is \$5,000 and goes towards implementing the many Senior Events throughout the week of the festival. With the sponsorship, TCL&P receives logo and written recognition in all Senior Event programs and flyers (see attached), verbal recognition at all events, opportunities for TCL&P employees to participate in the Senior Events and logo and written recognition in the NCF program and website. TCL&P also receives free entry to the Grand Royale Parade where TCL&P traditionally drives a bucket truck.

The sponsorship cost comes out of the Conservation & Public Services budget category and has been budgeted for in FY 2012/13. In 2002/03, when the Community Investment Fund (CIF) was originally created, the NCF was required to fill out a grant application. It was decided that after 2002/03, because of the great positive response from the senior citizens and the community benefits derived from the sponsorship, TCL&P would use budgeted promotion dollars to sponsor the festival and not have the NCF apply for a grant through the CIF. This decision was supported by the board's CIF review committee.

TCL&P also assists the NCF every year by allowing the use of the coal dock for the fireworks at the end of the festival. Although this is not part of the sponsorship, it is a good example of the partnership between TCL&P and the NCF. TCL&P also participates in the festival's Green Day, where TCL&P gives away light bulbs and has interactive energy efficiency activities for kids and adults.

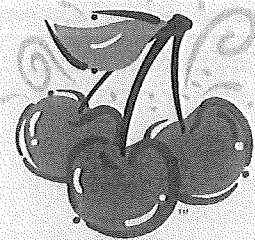
Chuck O'Connor, Director of Corporate Partnerships for the National Cherry Festival, will be in attendance at the board meeting and will be available to answer questions regarding the festival and TCL&P's sponsorship.

FOR THE LIGHT & POWER BOARD MEETING OF JANUARY 8, 2013

With this festival drawing over 500,000 annually in attendance, and with Traverse City receiving a significant economic boost from the crowd the festival draws to the city, staff believes that this sponsorship is beneficial and a highly visible example of TCL&P being a community partner. It is staff's recommendation to continue sponsoring the NCF Senior Events for the 2013 festival.

If the board is in agreement, the following motion would be appropriate:

MOVED BY _____ SECONDED BY _____, THAT THE LIGHT AND POWER BOARD APPROVE THE SPONSORSHIP OF THE 2013 NATIONAL CHERRY FESTIVAL SENIOR EVENTS IN THE AMOUNT OF \$5,000, AS PROVIDED FOR IN THE 2012-13 BUDGET.



National
Cherry
Festival

**Distinguished
Senior Breakfast**

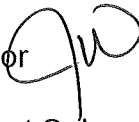
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Grand Traverse Pavilions

TRAVERSE CITY
LIGHT & POWER



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Jessica Wheaton, Marketing & Community Relations Coordinator 
Date: December 26, 2012
Subject: Grand Traverse Conservation District's Seedling and Native Plant Sales

For the past thirteen years, Traverse City Light & Power (TCL&P) has sponsored the Grand Traverse Conservation District's (GTCD) Annual Seedling Sale and Native Plant Sale. The Annual Seedling Sale, typically held around Earth Day, offers community members an opportunity to purchase an assortment of conifers, hardwoods and shrubs. The Native Plant Sale, typically held towards the end of May, offers wildflowers, ground covers, ferns and native rescue plants from around the area. The proceeds from both sales help support the GTCD, an independent, community-serving organization that works to keep the Boardman River healthy, local farms sustainable, public parklands accessible, and children and families outdoors exploring and learning how to care for the natural resources. Prior to the construction of the Boardman River Nature Center in 2008, this sale was held at the TCL&P facility on Hastings Street.

The sponsorship cost for the two sales is \$11,000 and goes towards implementing the sales. With the sponsorship, TCL&P receives a variety of recognition which includes: logos on all sales materials (flyers, brochures, print ads, direct mailings, order forms and planting instruction cards – see attached) along with “sponsored by” taglines on radio ads and television coverage. TCL&P is also recognized on the GTCD website before and after the sales and has a banner displayed at the Boardman River Nature Center during the sales.

Another component of the sponsorship, which is included in the sponsorship cost, is that TCL&P purchases 10,000 white pine seedlings and provides them to local schools and youth groups for Earth Day. *This is separate from TCL&P's seedling giveaway.* Over the thirteen years that TCL&P has sponsored the sales, 130,000 seedlings have been provided to local children. Those seedlings also come with a planting instruction card with TCL&P's logo on it. Because of this component of the sponsorship, the American Public Power Agency has awarded TCL&P with the Golden Tree Award for several years. The award is given to municipal utilities who have given away one tree for every customer on a yearly basis and honors their commitment to the environment.

The sponsorship cost comes out of the Conservation & Public Services budget category and has been budgeted for in FY 2012/13. In 2002/03, when the Community Investment Fund (CIF) was originally created, the GTCD was required to fill out a grant application. It was decided that after 2002/03, because of the community and environmental benefits and positive TCL&P recognition, TCL&P would use budgeted promotion dollars to sponsor the

sales and not have GTCD apply for a grant through the CIF. This decision was supported by the board's CIF review committee.

Treenen 'Tree' Sturman, Executive Director of the GTCD, and John Gessner, Communications Coordinator of the GTCD, will be in attendance at the board meeting and will make a short presentation regarding the two sales and TCL&P's sponsorship.

Staff believes that this sponsorship is beneficial and a highly visible example of TCL&P being a community partner and TCL&P's commitment to the environment. It also supports TCL&P's mission of being an environmentally conscious utility. It is staff's recommendation to continue sponsoring the GTCD Annual Seedling Sale and Native Plant Sale for 2013.

If the board is in agreement, the following motion would be appropriate:

MOVED BY _____ SECONDED BY _____ THAT THE LIGHT AND POWER BOARD APPROVE THE SPONSORSHIP OF THE GRAND TRAVERSE CONSERVATION DISTRICT'S 2013 ANNUAL SEEDLING AND NATIVE PLANT SALES IN THE AMOUNT OF \$11,000, AS PROVIDED FOR IN THE 2012-13 BUDGET.

2012 Seedling Sale

Restore your landscape with
conifers + hardwoods + shrubs

CLICK for Species
& Prices

+ April 21
8am - 3pm

+ April 22
11am - 2pm

Boardman River Nature Center
1450 Cass Rd (4mi south of downtown TC)



231.941.0060



Grand Traverse
Conservation District

natureiscalling.org

Proceeds benefit the Grand Traverse Conservation District, a local conservation organization that engages its whole community as caretakers of our natural world.



This Week 05/16/2012 - 05/22/2012

Search [GO]

Wednesday, May 16

7:30 am Power Leads TC professional networking group meets at The Metro Coney & Grill (directly across from Yusef Park). Accepting new members from multiple professions. Guests welcome to visit. More info by calling Bryan, Neuco Seating, 231-620-4035.

7:30 am Power Leads professional networking group meets at the Play Jack Family Restaurant (U.S. 31 across from Trejer) in the conference room. Accepting new members from multiple professions. Guests welcome. More info by calling John, BrightStar Lifecare, 923-7627.

8:00 am Tai C Inter Fello coal Sen

Native Plant Sale
at the Boardman River Nature Center
Helps sustain your native yards.
• ferns • wildflowers • groundcovers
• May 19 8am - 3pm
• May 20 11am - 2pm
CLICK for more info!
231.941.0060
Grand Traverse Conservation District

Annual Native Plant Sale
Restore your landscape with over 50 species of native wildflowers, ferns and groundcover! The annual Native Plant Sale is your opportunity to discover the beauty that abounds in northern Michigan and bring it into your home garden. Where: Boardman River Nature Center (1450 Cass Rd - just 4 mi south of downtown TC) When: May 19 (8a-3p) & May 20 (11a-2p)

Click here for more information!

NMC BBQ

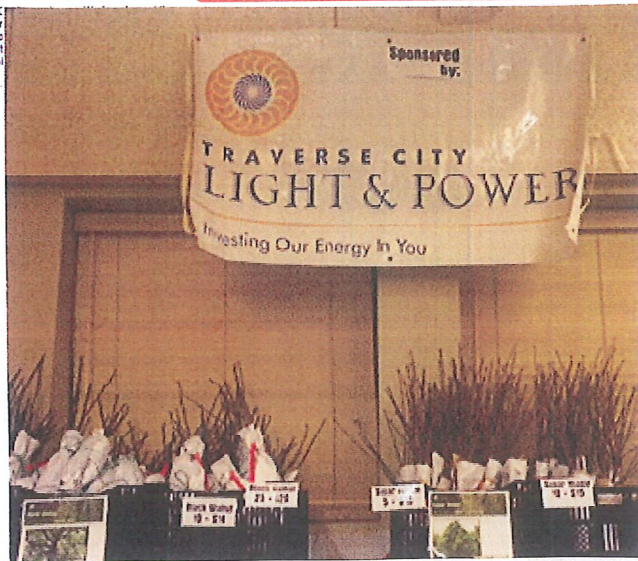
Let's all do the barbecue!

Sunday, May 20
Order your tickets today!

RECORD-EAGLE.COM

Get your house in shape for spring.

MSHDA



brate the 35 at 642 ation eelansu 35 route.

Home Life

April 9, 2012

Chorus gets in tune for benefit
By Carol South
Special to the Record-Eagle

Harmonizing for homes, the Cherry Capital Men's Chorus is holding a Benefit concert for the Benzie County Habitat for Humanity.

The a cappella barbershoppers will present the program "When There's Love at Home" on Sunday, April 15, at the Benzie Central High School auditorium. Proceeds will boost the nonprofit, which is currently finishing a home in Thompsonville. The chorus kicks off its 30th concert season. Sunday's performance is the first of four programs this year that benefit an area nonprofit.

The June concert will benefit 12001 Trails, September's event will help Safe Harbor and the November program targets Food Rescue of Northwest Michigan.

"Bringing our communities with great harmony and good works is a major part of our mission statement and these exciting new partnerships we've developed will hopefully magnify the great work currently being accomplished by each of them as well," said Jason Lynch, president of the Cherry Capital Men's Chorus, in a prepared statement.

2012 Seedling Sale
at the Boardman River Nature Center
Restore your landscape with:
conifers + shrubs + hardwoods
+ April 21 8am - 3pm
+ April 22 11am - 2pm
231.941.0060

Related Photos
Members of the Cherry Capital Men's Chorus rehearse at the Fresh Haven Church in Traverse City. The 100-year-old group is holding a concert Sunday in Benzie to benefit the Benzie County Habitat for Humanity.

Special to the Record-Eagle/Carol South

2012 Native Plant Sale



Keep your yard native with over 50 species of:

wildflowers + ferns + vines + groundcovers + grasses

+ May 19 8am - 3pm

+ May 20 11am - 2pm

Don't forget your
Upcycled Rain Barrels and Composters
They keep gardens happy!





TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Jim Cooper, Manager of Communications & Energy Services *JC*
Date: January 2, 2013
Subject: Guest Room Energy Management

At the last board meeting the Guest Room Energy Management (GREM) concept was introduced as one possible way to increase customer energy efficiency in the energy optimization program and also to help reduce Traverse City Light & Power (TCL&P) kW demand during the on-peak summer hours. This helps customers to save dollars, kWhrs, and the utility to help save over time, the cost of purchasing additional capacity. Essentially, most energy saving measures on the commercial and industrial side which reduce kWhr usage during TCL&P's on-peak period will, over time, save the utility from purchasing additional capacity.

Before a motion for the GREM program is brought to the board for approval it was thought to introduce additional information about the program energy efficiencies, costs, and timing. Jim Mooney, the Regional Director of Franklin Energy, Michael Reinhold, the Program Manager, and Pat Doyle, the Energy Advisor will all be in attendance to present a short power point on the GREM program, review the attachment, proposal, and to answer any questions. I asked Mr. Mooney a series of questions that I thought board members might have and he has provided the answers in the attachment. As he has indicated the proposal can be adapted to meet other board requirements.



Experience. Delivery. Results.

Franklin Energy Services, LLC
102 N. Franklin Street
Port Washington, WI 53074

Phone: 800-598-4376
Fax: 262-284-4003
Email: inquiries@franklinenergy.com

November 9, 2012

Jim Cooper
Traverse City Light and Power
Manager of Communications and Energy Services
1131 Hastings Street
Traverse City, Michigan 49686

Subject: **Proposal Hospitality Direct Install Program - GREM**

Dear Jim,

Franklin Energy proposes to implement a Hospitality Direct Installation program to include two additional measures for helping your program over achieve its energy sustainability goals (Guest Room Energy Management, common area LED's and In-Room CFL's). The program will be marketed to hotel customers in your service territory. Some of these customers will be "warm" leads as they have recently accepted our DI services.

GREM Program year	2013
Number of Hotels	29
Average Rooms per Hotel	25
Number of Rooms	725

Measures to be installed for this program include Guest Room Energy Management (GREM), common area LED's and In-Room CFL's. This level of penetration and measure mix will yield approximately 1,002,878 kWh of energy savings.

DELIVERY

Franklin will provide a direct installation program to eligible customers to include marketing, staffing, scheduling and installation of the in-room sensors and/or CFL's. Tracking and reporting will be handled within the existing program tracking system. Staff will solicit hotel customers for direct install measures through a highly focused marketing effort to include direct mail and contact with the customer. Eligible facilities with acceptable fixtures and equipment will receive installation of Guest Room Energy Management and In-Room CFL's.

All projects will be scheduled with the business owner or facility management and consent of installation will be secured. Upon installation, Franklin Energy will represent and warrant for one year that the installed measures will conform to generally acceptable industry standards and expectations. At all times during the installation process, Franklin Energy shall carry, and have, visible identification as determined appropriate by Traverse City Light & Power.

Franklin Energy will provide all necessary equipment to perform the services. This includes, but is not limited to, installation of the GREM room unit management systems, in-room CFL's, common area LED's (where applicable) existing hospitality efficiency components identified previously, and recording and entering of installation data.

Additionally, Franklin Energy will perform random quality assurance checks on ten percent of completed project services. This effort will be a mix of site visits and phone conversations with participating customers to ensure that measures were installed and are still in place at the customer site.

TRACKING & REPORTING

Existing Direct Install documents will be edited for this program that will record customer, customer account number and number of measures installed. All information will be entered into the existing program database for necessary report generation.

MARKETING

Franklin Energy is fortunate to have experience working in the Traverse City market which provides us with significant insight as to its potential. We will be moving our Energy Advisor Pat Doyle into the market to oversee this effort. Mr. Doyle has significant knowledge of the properties who might qualify for the program and he will assume primary responsibility for outreach. During this process, he will work closely with Jim Cooper and Jessica Wheaton to identify and qualify additional properties who could benefit from the effort. Lastly, our install team will be brought in from a previously concluded effort. That team's experience with identifying and approaching appropriate properties will help significantly with goal achievement.

STAFFING

Franklin Energy will assign Eric Hatton as Project Principal in charge of executive oversight for this project. Fred Dreher is Vice President of Client Services for Franklin and in this role he holds the team accountable and is an available resource to TCL&P's staff.

Jim Mooney, Regional Director will provide oversight and staff management of the company's program implementation services. He is responsible for Franklin's program implementations in the Michigan region and ensures proper resources are allocated to projects as necessary to meet contractual energy savings goals.

Michael Reinhold, will serve as Program Manager; Michael is currently responsible for managing the MPPA and LBWL commercial and industrial energy efficiency programs, including thermostat direct install as well as existing building optimization programs. He has experience overseeing daily operations, HVAC, energy auditing and direct installation work for low-income and new construction projects, and also managed and implemented statewide ENERGY STAR residential and retailer rebate programs.

Patrick Doyle. Pat Doyle will be your Energy Advisor. Pat has extensive experience with Traverse City and its energy efficiency programs. His knowledge will be invaluable with continuing the momentum built into the program already.

Melissa Grace. Melissa Grace will be the Program Coordinator on this effort. Melissa brings years of experience with facilitating successful energy efficiency projects for municipal utilities in the state of Michigan and specifically for Traverse City's utility program. Melissa's attention to detail, quick

response and customer focus will provide a clearing point through which all program activity will smoothly integrate.

Field Staff – Franklin will have 1-2 local Michigan based staff to provide outreach and measure installations for qualifying hotel and motel customers. We will be bringing experienced staff from previous installations to create a smooth and successful installation process for TCL&P.

PRICING

Franklin Energy proposes to generate over 1,000,000 kWh of energy savings for Traverse City Light and Power small business customers at a cost of \$253,358.30 or \$0.231/kWh. If we assume a \$50 co-pay for 40% of the rooms this results in a program credit of \$21,750 resulting in a net cost to TCL&P of \$231,608.50. This co-pay was chosen by offering the first 10 rooms in each facility free and then charging for every room after that threshold was attained. There are several assumptions in this pricing that we will explain in this section. In addition, we have outlined a pricing structure that ties all of the compensation to performance towards the savings goal. We are willing to discuss other pricing models as needed should our proposed solution prove unable to meet your needs. The table below shows the average installed units per site and the total number installed by measure. In addition, the savings per unit by measure is shown.¹

Direct Install kWh	# installed / room	Total Installed	Savings/Unit kWh	Total kWh Savings	Total \$ / kWh
GREM System (SS1108)	1.00	363	1026	371,925	\$0.322
GREM System (Eco Wave)	1.00	363	1026	371,925	\$0.322
In-Room CFL's	1.75	1,269	176	223,300	\$0.034
Common Area LED A19 (per bldg)	7.00	203	176	35,728	\$0.182
TOTALS				1,002,878	

Franklin's pricing structure appears in the final table below. We have allocated the cost between implementation and measure direct installation costs.

TCP&L GREM Lodging Direct Install Program

Direct Installation Measures	Total Cost / Unit	# Units	Total Cost
GREM System (SS1108)	\$330.00	363	\$119,625.00
GREM System (Eco Wave)	\$330.00	363	\$119,625.00
In-Room CFL's	\$6.00	1,269	\$7,612.50
Common Area LED A19 (per bldg)	\$32.00	203	\$6,496.00
Subtotal Direct Install Measures			\$253,358.50
Less: Customer Co-Pay	\$50.00	435	\$21,750.00
Total Cost of Measures			\$231,608.50
		Total kWh Goal	1,002,878
		Average Cost/kWh	\$0.231

¹ It should be noted that the number of rooms included (first 10 rooms in each facility) and the number of in-room and common area installations will impact both cost and savings. Franklin will monitor both at project initiation to ensure that costs are contained while savings are attained throughout this project.

This cost includes all labor (and labor related costs) for administration, management, marketing, inventory procurement, storage, data tracking, customer service, and installation. In addition, this cost includes mileage reimbursement and other travel expenses. Note that all of the cost is tied to volume that results in energy savings.

Thank you for the opportunity to present this proposal to you, Jim. I look forward to a discussion with you to determine if this approach fits your needs to capture additional electric energy savings in the Traverse City Light & Power service territory.

Sincerely,

Eric Hatton
Regional Vice President, Eastern Program Operations

What is GREM?

GREM is an acronym standing for Guest Room Energy Management. As implemented through Franklin Energy it is a way of maintaining the operation of the packaged terminal air conditioner (PTAC) system to only those periods when the room is occupied. It is a combination of an occupancy sensor and a control unit placed on the power supply to the PTAC.

Franklin's solution is a low cost/low risk solution. There are more sophisticated solutions that also manage the lighting. However, these solutions require licensed electricians which significantly increase the cost for both costs and labor. The Franklin solution allows us to hold costs at a \$0.23/kWh saved.

Our solution is also low risk. There are light management solutions that, along with LED lighting bring the savings up along with the cost. Experience has shown that these solutions have a tendency to disappear when guests check out because they are not secured into the wall.

What has GREM saved other hotel owners?

In 2012, Franklin installed 1,456 units for an investor owned utility resulting in an energy savings of 1,493,856 kWh or a savings of 1,020 kWh/unit. This program executed in two short months after an additional month of planning, ordering, training and staging.

How did you figure the number of motel rooms on L&P?

Per your convention and visitors bureau (CVB) there are over 5,000 rooms in the Traverse City market. We realize that some of them will be outside the service territory of L&P, however, it is an indicator of potential market size for this project. We then executed a very conservative estimate of the number of rooms per facility (25) and the number of facilities to meet goal (29). However, the objective is to approach the smaller hotels which tend to be on tighter margins than their larger competitors. Our experience is that the smaller hotels are the most receptive to this offering while also receiving the greatest benefit from the GREM installations. The number of rooms (25) is reflective of that market.

Why did you choose this system over other systems, wireless, etc.?

Our product managers for the GREM units are located in Wisconsin where we have an extensive history with this offering. We chose this system on a referral from Franklin employees who have worked with it in the past. They had worked on installations of similar products in Las Vegas and various cities in Wisconsin. They recommend Telkonet as one of the top products in the industry. Telkonet has products that can be hard wired to the system as well as wireless sensors that the PTAC units can simply plug into the source system.

Can you provide me with some manufacturer links/info on this product?

Telkonet EcoSmart Link: <http://www.telkonet.com/products/ecosmart/>

Do you have success stories, kWh savings achieved in other install areas?

Testimonials: <http://www.telkonet.com/testimonials/>

Case Studies: <http://www.telkonet.com/casestudies/>

What happens if no motel owner signs up for the program?

I suppose this is a possibility, but we have not had this experience in previous programs. With our 2012 installations our limiting factor was keeping the GREM units in stock to keep us up to speed with the installation appointments. Sales will be initiated by our outreach and direct install staff who worked in Traverse City in 2012. We currently feel that they will have more than ample leads to participate in this program.

What peak shaving savings are expected?

While the MEMD only recognizes kWh savings (1,114 kWh/unit), we have experienced peak demand savings with these installations as well. Since most hotel rooms are vacant during mid day and the highest demand generating unit being the PTAC unit, the fact that these units are idle during these unoccupied periods is an ancillary benefit of the installation.

How did we get to 10 rooms for free and the rest at \$50/room co-pay?

Franklin Energy has experience installing GREM solutions with and without a copay. We recently completed a Michigan installation without a copay and previously have installed GREM solutions using a copay program. Either is available for TCLP. As can be seen in our proposal this copay option reduces the cost by almost \$22,000 to TCLP. As previously stated, we have conducted GREM installations at no charge to the hotel owner with a high degree of success. If interested, we can amend our proposal to provide this service at no charge to participating hotel owners.



TRAVERSE CITY
LIGHT & POWER

To: Light and Power Board
From: Tim Arends, *Interim* Executive Director/Controller
Date: December 26, 2012
Subject: Quarterly Financial Report

Handwritten initials in a circle, likely 'TA', corresponding to the sender Tim Arends.

Enclosed in your packet are the first quarter financial statements for the Electric and Fiber Funds.

Electric Utility Fund:

As of September 30, 2012 (25% through the fiscal year) operating revenues are 30.8% of budgeted operating revenues. Residential sales have shown the largest percentage increase over the prior year at 4.1%, while commercial sales increased 1.0% and industrial sales decreased (1.9%). The Board's action to freeze the Power Cost Recovery Rate (PCR) for 2012-13 has resulted in customer savings in the amount of \$656K through the first quarter. Overall, total revenues are 6.6% higher than this time last year.

Total operating expenses are at 25.5% of budget year-to-date, or very nearly on-budget. Since revenues (sales) have exceeded budget estimates slightly, expenses for purchased power are also higher. With the exception of purchased power, most other expense categories are at or slightly under budget through the first quarter. Conservation & Public Services is significantly under budget at 7.1% through the first quarter.

Net income through the first quarter is \$1.5 million which is about \$500K higher than this time last year and is mostly attributed to the increase in MISO revenues. The winter months will, of course, reflect a decrease in kWh sales and associated revenues and expenses.

MISO revenues are running double the amount received in prior years. Not finding any reasonable explanation for this increase, I contacted MPPA who in turn investigated the revenue calculations with ITC. The following is the status of the discrepancy as reported to me by MPPA:

“There appears to be incorrect payments being made from ITC to MPPA in regard to the Michigan Joint Zone settlement agreement.

MISO collects monies from transmission customers within the METC area of Michigan. They forward the money to ITC for allocation among the transmission owners within METC based on the Joint Zone settlement agreement. The problem is that we do not believe that ITC has been accurately using the Joint Zone settlement agreement to allocate the monies accurately between MPPA and Wolverine associated with the Subzone. This problem began with the January 2012 payment to MPPA.

We have asked Wolverine to review the payments, and if they agree and can make a case for changing the allocation currently being used by ITC, then we will need to resettle between MPPA and Wolverine the correct amounts. The amount in question is approximately \$100k per month or \$1.2 million for calendar year. Assuming MPPA is correct, the \$1.2 million

FOR THE LIGHT & POWER BOARD MEETING OF JANUARY 8, 2013

charge would be allocated in the same manner as paid out that shows up on your monthly bill (ie. 64% to Traverse City).

At this point, we are still investigating but it does look likely that we were over-paid and will need to remedy that situation.”

When the exact amount of the overpayment is determined, it will be reflected in the financial statements in the coming months.

Fiber Fund:

Revenues in the Fiber Fund are on-budget while expenses are under budget (favorable). Net income of \$15,956 is 31.3% of budget through September. The fund has positive cash flow and is on target to this year begin reimbursements to the electric utility fund for the initial investment of the backbone fiber network.

The DDA has informed TCL&P that it intends to seek an alternate company for the Wi-Fi network. This will cause the Fiber Fund to have no revenues or expenses that were budgeted as it relates to Wi-Fi with the exception of expensing the costs of studies, legal fees, and engineering on the original plan in the amount of \$59K. Light & Power is poised to assist the DDA of its goal of a successful Wi-Fi deployment in the DDA District.

TRAVERSE CITY LIGHT & POWER
Schedule of Revenues & Expenses - Budget and Actual
For the Month Ended September 30, 2012

	Current Month	Y-T-D Actual	Annual Budget	% of Budget
Operating revenues - sales	\$ 2,523,666	\$ 8,602,432	\$ 29,208,500	29.5%
Other operating revenues	427,705	1,105,105	2,299,500	48.1%
Total operating revenues	2,951,370	9,707,537	31,508,000	30.8%
Generation expense:				
Purchased power	648,849	2,551,217	6,160,000	41.4%
Stoney corners-wind energy	187,954	522,852	2,900,000	18.0%
Combustion turbine	302,406	789,866	4,500,000	17.6%
Campbell/belle river	708,481	2,122,061	7,700,000	27.6%
Landfill gas	49,912	62,244	160,000	38.9%
Other operations & maintenance	(37,909)	61,084	84,750	72.1%
Total generation expenses	1,859,692	6,109,325	21,504,750	28.4%
Distribution expense:				
Operations & maintenance	283,187	813,179	3,505,100	23.2%
Transmission expense:				
Operations & maintenance	17,299	50,880	198,350	25.7%
Other operating expense:				
Metering & customer accounting	36,193	103,203	550,000	18.8%
Conservation & public services	58,068	145,226	2,049,350	7.1%
General administration	75,490	233,584	1,145,250	20.4%
Insurance	5,428	6,600	66,500	9.9%
Depreciation expense	150,682	452,045	1,875,000	24.1%
City fee	120,000	360,000	1,578,200	22.8%
Total other operating expenses	445,861	1,300,658	7,264,300	17.9%
Total operating expenses	2,606,039	8,274,042	32,472,500	25.5%
Operating income/(loss)	345,331	1,433,495	(964,500)	-148.6%
Other revenues/(expenses):				
Non-operating revenues	28,126	61,208	360,000	17.0%
Non-operating expenses	0	0	0	---
Net income	\$ 373,458	\$ 1,494,703	\$ (604,500)	-247.3%

TRAVERSE CITY LIGHT & POWER
Revenue & Expenses Compared

	September 2012		September 2011		Y-T-D 9/30/2012		Y-T-D 9/30/2011		Increase/Decrease %		
	\$	%	\$	%	\$	%	\$	%	Increase/Decrease	%	
Federal Grants	\$ -		\$ -		\$ -		\$ -		\$ -		
State Grant - Other	-		-		-		-		-		
Residential Sales	410,454.59		426,105.49		(15,650.90)	(3.7)	1,619,491.45		65,908.41	4.1	
Commercial Sales	1,224,319.63		1,261,531.45		(37,211.82)	(2.9)	4,189,823.51		42,444.52	1.0	
Industrial Sales	834,865.99		838,802.00		(3,936.01)	(0.5)	2,546,700.24		(48,664.93)	(1.9)	
Public Authority Sales	31,152.66		30,302.67		849.99	2.8	110,732.95		7,031.78	6.4	
Street Lighting Sales	16,222.53		16,217.49		5.04	0.0	48,667.59		5.04	0.0	
Yard Light Sales	6,650.40		6,632.20		18.20	0.3	20,296.69		(789.46)	(3.7)	
Forfeited Discounts	5,047.33		5,099.26		(51.93)	(1.0)	11,151.04		2,676.57	24.0	
Merchandise & Jobbing	6,716.30		-		6,716.30	#DIV/0!	8,393.80		5,543.80	194.5	
Interest & Dividend Earnings	1,974.99		69,226.73		(67,251.74)	(97.1)	86,946.55		(63,194.73)	(72.7)	
Rents & Royalties	4,127.66		-		4,127.66	#DIV/0!	10,358.00		7,827.36	309.3	
Sale of Fixed Assets	-		-		-	#DIV/0!	-		-	#DIV/0!	
Reimbursements	22,023.77		400.00		21,623.77	5,405.9	24,338.24		15,752.71	183.5	
Recovery of Bad Debts	-		-		-	#DIV/0!	-		-	#DIV/0!	
Sales of Scrap	4,795.98		4,150.99		644.99	15.5	15,230.97		8,780.18	136.1	
Miscellaneous Income	2,840.15		2,345.74		494.41	21.1	7,206.11		1,018.44	16.5	
Refunds & Rebates	-		-		-	#DIV/0!	-		(247.00)	(100.0)	
Pole Rentals	-		-		-	#DIV/0!	2,760.00		2,760.00	#DIV/0!	
MISO Revenues	408,304.85		203,085.09		205,219.76	101.1	1,060,446.58		561,457.26	112.5	
Total Revenues	\$ 2,979,496.83		\$ 2,863,899.11		\$ 115,597.72	4.0	\$ 9,768,745.34		\$ 9,160,435.39	\$ 608,309.95	6.6

Expenses:

Generation Operations & Maint	\$ 1,859,692.25		\$ 2,004,520.48		\$ (144,828.23)	(7.2)	\$ 6,109,325.19		\$ 6,057,032.04	\$ 52,293.15	0.9
Distribution Operations & Maint	283,187.21		333,898.76		(50,711.55)	(15.2)	813,179.08		748,302.75	64,876.33	8.7
Transmission Operations & Maint	17,299.04		15,720.51		1,578.53	10.0	50,879.65		44,316.99	6,562.66	14.8
Metering & Customer Accounting	36,192.91		48,845.62		(12,652.71)	(25.9)	103,202.91		127,302.21	(24,099.30)	(18.9)
Conservation & Public Services	58,067.56		25,314.11		32,753.45	129.4	145,225.80		122,192.68	23,033.12	18.8
Administration	75,490.26		136,762.08		(61,271.82)	(44.8)	233,584.31		325,039.07	(91,454.76)	(28.1)
Other	276,109.94		269,573.17		6,536.77	2.4	818,645.28		808,719.51	9,925.77	1.2
Total Expenses	\$ 2,606,039.17		\$ 2,834,634.73		\$ (228,595.56)	(8.1)	\$ 8,274,042.22		\$ 8,232,905.25	\$ 41,136.97	0.5
Net Income	\$ 373,457.66		\$ 29,264.38		\$ 344,193.28	1,176.2	\$ 1,494,703.12		\$ 927,530.14	\$ 567,172.98	61.1
	\$ (0)		\$ (0)		\$ (0)		\$ (0)		\$ (0)		

TRAVERSE CITY LIGHT & POWER
Balance Sheet
September 30, 2012

ASSETS		LIABILITIES AND NET ASSETS	
Current assets		Current liabilities	
Cash and cash equivalents	\$6,751,324	Accounts payable	\$1,510,541
Investments	21,955,448	Customer deposits & credits	182,418
Receivables		Accrued expenses & other liabilities	248,433
Customer (net of allowance)	3,925,717	Due to primary government	158,157
Accrued interest	37,441		
Taxes	1,142	Total current liabilities	2,099,550
Other	182,614		
Inventories	1,708,485	Long-term liabilities	
Prepaid expenses	57,947	Compensated absences	279,430
Total current assets	34,620,118	Total liabilities	2,378,979
Long-term assets		Net assets	
Long-term advances & OPEB assets	975,617	Invested in capital assets	40,158,797
Land and land improvements	1,309,431	Unrestricted	33,216,755
Construction in progress	1,504,048		
Capital assets, net	37,345,318	Total net assets	73,375,553
Total long-term assets	41,134,414		
Total assets	\$75,754,532	Total liabilities and net assets	\$75,754,532

**TRAVERSE CITY LIGHT & POWER
FIBER FUND**
Schedule of Revenues & Expenses - Budget and Actual
For the Month Ended September 30, 2012

	Current Month	Y-T-D Actual	Annual Budget	% of Budget
Operating revenues:				
Charges for services	\$ 17,205	\$ 52,715	\$ 186,500	28.3%
Wi-fi Service Fee - DDA	-	-	65,000	0.0%
Total operating revenues	17,205	52,715	251,500	21.0%
Operating expenses:				
Office & operating supplies	-	-	3,250	0.0%
Supervision & maintenance	861	2,971	66,150	4.5%
Overhead & underground lines	2,832	6,915	6,000	115.2%
Customer installations	416	1,562	5,600	27.9%
Wi-Fi Operations & Maintenance	-	-	45,000	0.0%
Termination boxes	1,093	3,598	35,400	10.2%
City fee	-	-	12,600	0.0%
Professional development	-	-	500	0.0%
Insurance	93	84	1,450	5.8%
Repairs and Maintenance	-	-	500	0.0%
Miscellaneous	-	-	150	0.0%
Depreciation expense	7,209	21,628	99,800	21.7%
Total operating expenses	12,506	36,759	276,400	13.3%
Operating income/(loss)	4,699	15,956	(24,900)	-64.1%
Non-operating revenues:				
Reimbursements	-	-	75,900	0.0%
Net income	\$ 4,699	\$ 15,956	\$ 51,000	31.3%

**TRAVERSE CITY LIGHT & POWER
FIBER FUND
Balance Sheet
September 30, 2012**

ASSETS		LIABILITIES AND NET ASSETS	
Current assets		Current liabilities	
Cash and cash equivalents	\$94,655	Accounts payable	\$9,691
Accounts receivable	0	Due to other funds	0
Prepaid Insurance	841	Deferred revenue	12,100
Total current assets	95,496	Total liabilities	21,791
Long-term assets		Net assets	
Construction in progress	74,932	Contribution from other funds	1,208,876
Capital assets, net	1,343,119	Unrestricted fund balance	282,880
Total long-term assets	1,418,051	Total net assets	1,491,756
Total assets	\$1,513,547	Total liabilities and net assets	\$1,513,547



TRAVERSE CITY
LIGHT & POWER

To: Tim Arends, *Interim Executive Director/Controller*
From: Tom Olney, Operations Manager *TO*
Date: January 2, 2013
Subject: December Storm Response

Early Friday morning, December 21st, heavy snow, ice and strong winds resulted in six separate interruptions of service to 494 Traverse City Light & Power (TCL&P) Customers. The first outage occurred at 1:20 AM and the last occurred at 2:08 PM. Service was restored to all customers by 4:00 PM. Four TCL&P crews worked in the restoration effort. The main areas included customers on Barlow, Kelly, Boon, Rose and 7th Streets as well as Wood Ave and Woodmere Ave.

One 2-man TCL&P crew and one 3-man crew assisted Cherryland Rural Electric with their restoration efforts Friday night, Saturday, and most of Sunday. One crew worked a total of 35 hours while the second worked 31 hours.

Plans were made at TCL&P on Thursday December 20th to handle a much larger storm. These plans included calling for extra crews, additional people to answer phones, investigate downed wires, and assess field damage. Fortunately, those plans were not needed.

In a continuing effort to coordinate disaster response with other city departments, TCL&P will be meeting with the city police, city fire, and city streets departments to create an "all-city" emergency response plan for future events.



Cherryland Electric

— Cooperative —

December 27, 2012

Mr. Tim Arends
Traverse City Light and Power
1131 Hastings
Traverse City, MI 49686

Dear Tim,

On behalf of our members, board-of-directors, and employees, I would like to express our sincere gratitude for the role Traverse City Light and Power played in helping us restore power to our member families and businesses during the recent storm. With the assistance of your crews, we were able to get all of our members restored in time to enjoy their Christmas holidays. Without your assistance, the restoral process would have taken considerably longer.

We recognize that you and your staff put your family and personal matters on hold during a time when families are preparing for the festivities of the holidays. This sacrifice does not go unnoticed.

Again, please accept our sincerest thanks and appreciation for coming to our aid. Traverse City Light and Power's assistance was greatly appreciated!

Sincerely,

Tony Anderson
General Manager





TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Pat McGuire, Chairman
Date: December 26, 2012
Subject: Board Education/Training

Recommendation for APPA Training Opportunities:

- **Governance** – Encourage the Board to participate in the following webinars (\$89 per participant, per webinar)
 - 2/19/13, 2-3:30 p.m. ET – *How Public Power is Governed*
 - 3/28/13, 2-3:30 p.m. ET – *Duties, Responsibilities and Legal Obligations of Public Power Governing Boards*
- **Finance** – Arrange for Mark Beauchamp to conduct the one day workshop, *Improving and Maintaining the Financial Stability of Your Utility*, preferably prior to mid-March. (\$3,500 for the workshop plus Beauchamp's expenses)
- **Planning** – Consider arranging the one day workshop, "*Strategic Planning*", after retaining the permanent Executive Director, and prior to embarking on the development of a long-term plan, which would include consideration of local generation. (\$3,500 for the workshop plus instructor expenses.) It might be better to consider utilizing a planning consultant to work with the Board through the actual strategic planning process rather than a purely training exercise.
- **Operations** – Ask staff to develop a one day training program for existing and/or new board members to cover both electric utility operations in general and ops specific to TCL&P.

-Pat McGuire



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Webinar – How Public Power is Governed

February 19, 2013

2 – 3:30 p.m. Eastern time

[Register now](#) for this webinar or view and register for the entire [Utility Governance Series](#) (nine webinars).

Webinar Description

How Public Power Is Governed: The Structures and Authorities of Utility Boards

The responsibility for public power governance may rest with utility boards or city councils or a combination of both. This webinar will address the various structures of public power governance, how authorities and responsibilities may be divided, the pros and cons of the various governance structures, how to deal with inherent advantages and disadvantages of each model, and how to assure maximum effectiveness of whichever governance model your community has selected.

Speaker

Jeff Tarbert, Senior Vice President, American Public Power Association, Washington, D.C.

Who Should Attend

- Newly elected or appointed utility policymakers
- Experienced policy officials will also benefit from this webinar
- Utility managers and staff who work with governing boards

How to Participate in the Webinar

All you need is a phone and a computer with Internet access! Log-in/call-in instructions will be emailed out the day before the webinar.

The cost is \$89 for members and \$179 for nonmembers. [Register now!](#)

You can also register for the entire 9-part [Utility Governance Series](#) for a discounted rate. If you need a username/password, please contact [APPAs web staff](#).

Now offering CPE credits!

This webinar is worth 1.5 CPEs/2 CEU/1.5 PDH credits.

CPE Field of Study: Specialized Knowledge & Applications

The certificate is only available to the person who registered for the webinar and attendance is confirmed by the webinar report log.

Links to all presentations and an audio recording will be sent out shortly after the webinar occurs.

Questions?

Please contact Heidi Lambert, APPA's Education Manager: 202/467-2921; HLambert@PublicPower.org.

Webinar Series

[Utility Governance Webinar Series \(9 webinars\)](#)
January 22 – September 17, 2013

The APPA Academy is offering a variety of webinars for individuals serving on public power governing bodies (utility boards and city councils). These webinars were developed primarily for those who are new to public power governance responsibilities. Individuals who have served for a number of years on public power city councils and/or utility boards, or utility staff who regularly work with utility governing bodies, may also find these webinars beneficial.

All webinars take place from 2 to 3:30 p.m., EST

Pricina

Las Vegas
wins big with
Evolve™ LED
street lights

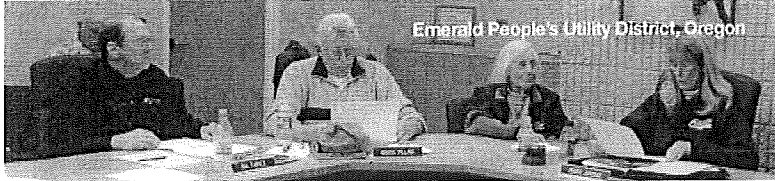
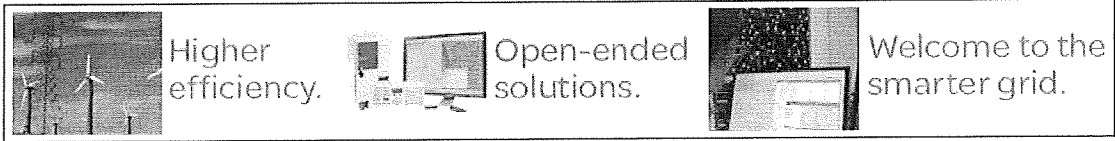
City estimates
\$2.7 million
in annual savings

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Webinar – Duties, Responsibilities and Legal Obligations of Public Power Governing Boards

March 28, 2013

2 – 3:30 p.m. Eastern time

[Register now](#) for this webinar or view and register for the entire [Utility Governance Series](#) (nine webinars).

Webinar Description

Duties, Responsibilities and Legal Obligations of Public Power Governing Boards

When elected or appointed to a public power board or city council, individuals often find there is neither a specific listing of duties and/or responsibilities nor a formal job description for their new position. This session will examine the legal and fiduciary duties incumbent upon public power board and city council members, whether determined by ordinance or judicial precedent; the policy responsibilities of governing boards, and how they differ from management; and additional responsibilities including assuring an effective CEO, monitoring the organization's performance, and determining the effectiveness of the governing body itself.

Speaker

Jeff Tarbert, Senior Vice President, American Public Power Association, Washington, D.C.

Who Should Attend

- Newly elected or appointed utility policymakers
- Experienced policy officials will also benefit from this webinar
- Utility managers and staff who work with governing boards

How to Participate in the Webinar

All you need is a phone and a computer with Internet access! Log-in/call-in instructions will be emailed out the day before the webinar.

The cost is \$89 for members and \$179 for nonmembers. [Register now!](#)

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City estimates \$2.7 million in annual savings

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About the Instructor:

Improving and Maintaining the Financial Stability of Your Utility

Mark Beauchamp, CPA, CMA, MBA
President
Utility Financial Solutions
Holland, Mich.

Mark Beauchamp is president of Utility Financial Solutions, a consulting practice that specializes in financial planning, cost of service, and rate-setting for public power utilities.

Mark has over 28 years of experience in a utility environment. He holds degrees in Water Purification Technology, Accounting, and a Masters Degree in Business. He holds a Class "A" license in sanitary sewer treatment from the State of Michigan, the highest license attainable and is a licensed water plant operator.

He has completed cost of service and rate studies for over 200 municipal systems around the nation, and served as an expert witness in rate cases around the county. Prior to starting his own consulting practice, he held a number of positions with one of the largest municipal systems in Michigan and a national consulting firm.

Mark is a Certified Management Accountant and Certified Public Accountant. He is recognized as a national expert in developing cost of service, unbundling and rate design studies for utilities and has spoken at several seminars regarding utility issues including cost of service studies for water and sanitary sewer utilities, benchmarking costs, marginal cost analysis, and electric cost of service and unbundling. Mark has been teaching cost of service and retail rate design and financial planning courses for APPA for over 20 years.

Who Should Attend

- Newly elected or appointed utility policymakers
- Experienced policy officials will also benefit from this course
- Utility managers are encouraged to attend with their commissioners, utility board, or council members

Course Schedule

This course can be offered in a one or two-day format.

APPA Strategic Planning Workshop

Course Overview

The purpose of this hands-on, highly interactive workshop is to familiarize the participants with the process and steps required to achieve a successful strategic planning activity at their utility. It covers topics such as selecting a location, selecting the strategic planning team, facilitator options and specific pre-retreat, retreat and post-retreat activities. The participants will experience a mock strategic planning process ranging from the pre-retreat through the retreat and concluding with the post-retreat activities. After completing this workshop, the participants will completely understand and enthusiastically embrace strategic planning at their utility.

Course Topics

- What is strategic planning?
- What will strategic planning accomplish?
- Who should be on the strategic planning team?
- Site selection considerations
- Choosing a facilitator
- Questions to ask the facilitator
- What is the strategic planning process?
- Pre-retreat activities—strategic planning kick-off
- Pre-retreat activities—identifying and compiling the issues using email or mail
- Retreat activities
- Post-retreat activities

Who Should Attend

- Newly elected or appointed utility policymakers
- Experienced policy officials will also benefit from this course
- Utility managers are encouraged to attend with their commissioners, utility board, or council members

Course Schedule

This course is offered in a two-day format.

Over the past 10 years, MRES has utilized the APPA Public Utility Governance Workshop as a planning tool to ensure the direction of our organization is consistent with the desires of our board. This workshop has resulted in the development of a valuable board self-evaluation tool, more complete board policies and procedures, clearer direction to staff and a more complete orientation for new members of the board.

The APPA instructors provide an objective, outside resource with a depth of experience in board-staff relations. They are always well prepared with information that is relevant and presented in easy-to-understand terms.

Thomas J. Heller, CEO
Missouri River Energy Services

Improving and Maintaining the Financial Stability of Your Utility

Course Overview

The financial health of the utility is a key component to providing reliable service to customers. In this highly interactive course, board and city council members will learn why financial planning is critical to the current and future success of public power utilities.

Course Highlights

- Assessing the financial health of the utility
- Determining when bonds or outside financing should be considered
- Methods for ensuring funds exist for current and future replacement of assets
- Identifying financial policies to help maintain the financial health of the utility
- Determining how much cash your utility should hold in reserves
- Developing long-term financial plans and implementing rate changes
- Considering rates that promote economic development and ensure growth for existing customers
- Identifying rates that help ensure revenue stability during periods of declining sales
- Examples of financial policies to avoid and the long-term effects some utilities have experienced

Who Should Attend

This course is designed for utility policymakers and staff involved in financial planning.

Course Schedule

This is a half-day course.