



**Notice**  
**City Commission and**  
**Traverse City Light and Power Board**  
**Joint Study Session**

**5:30 p.m.**

Monday, April 1, 2013

Governmental Center, Commission Chambers, 400 Boardman Avenue  
Traverse City, MI 49684

Posted and Published: 03-28-13

The meeting informational packet is available for public inspection at the Traverse Area District Library, Law Enforcement Center, City Manager's Office, and City Clerk's Office. The City of Traverse City does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. Makayla Vitous, Assistant City Manager, 400 Boardman Avenue, Traverse City, MI 49684, 922-4440-TDD: 922-4412, has been designated to coordinate compliance with the non-discrimination requirements contained in Section 35.107 of the Department of Justice regulations. Information concerning the provisions of the Americans with Disabilities Act, and the rights provided thereunder, are available from the ADA Coordinator.

If you are planning to attend and you have a disability requiring any special assistance at the meeting and/or if you have any concerns, please immediately notify the ADA Coordinator.

At the request of the City Manager, the City Clerk has called this study session.

City Commission:  
c/o Benjamin C. Marentette, CMC, City Clerk  
(231) 922-4480  
Email: [tcclerk@traversecitymi.gov](mailto:tcclerk@traversecitymi.gov)  
Web: [www.traversecitymi.gov](http://www.traversecitymi.gov)  
400 Boardman Avenue  
Traverse City, MI 49684

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*The mission of the Traverse City City Commission is to guide the preservation and development of the City's infrastructure, services, and planning based on extensive participation by its citizens coupled with the expertise of the city's staff. The Commission will both lead and serve Traverse City in developing a vision for sustainability and the future that is rooted in the hopes and input of its citizens and organizations, as well as cooperation from surrounding units of government.*

### **Welcome to the Joint Study Session!**

Any interested person or group may address the Commission and Board on any agenda item when recognized by the presiding officer or upon request of any commissioner. Also, any interested person or group may address the Commission and Board on any matter of City concern not on the Agenda during the agenda item designated Public comment. The comment of any member of the public or any special interest group may be limited in time. Such limitation shall not be less than five minutes unless otherwise explained by the presiding officer, subject to appeal by the Commission.

## **Agenda**

Pledge of Allegiance

Roll Call

1. Discussion regarding management and operations assessment of Traverse City Light and Power. (R. Ben Bifoss, Timothy Arends)

5:30 p.m. - 5:45 p.m. – Brief Introduction by Hometown Connections

5:45 p.m. - 6:30 p.m. – Questions and Answers

2. Public comment 6:30 p.m. - 6:45 p.m.
3. Adjournment at 6:45 p.m.

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TRAVERSE CITY  
LIGHT & POWER

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**To:** City Commissioners and Light & Power Board Members  
**From:** Tim Arends, *Interim* Executive Director/Controller  
**Date:** March 27, 2013  
**Subject:** Hometown Management & Operations Audit Presentation

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The Joint Study session of April 1, 2013 will provide the opportunity for Hometown Connections to formally present the results and recommendations of the Management & Operations Audit performed for the benefit of improving the city's municipal electric utility, Traverse City Light & Power Department.

The presentation from Hometown will be very high level and brief to allow for more questions and answers and general comments from Commissioners, Board Members, and the public. The meeting will start at 5:30 p.m. in the Commission Chambers just ahead of the Regular Meeting of the City Commission at 7:00 p.m.

Attached is a copy of the PowerPoint presentation that will be used by Hometown Connections. Also attached are the summary recommendations from the Operations Audit. Please note that the yellow highlighted items are those that have already been implemented by Light & Power.

The employees of Light & Power embrace this report and consider it a valuable tool in sustaining and improving the services they provide to the city and its ratepayers.

*Integrated Solutions for Public Power*



ENGINEERING & OPERATIONS



CUSTOMER CONNECTIONS



BUSINESS & FINANCE



SYSTEM IMPROVEMENT



EST. 1912

100 YEARS

TRAVERSE CITY  
LIGHT & POWER

# Traverse City Light and Power Management & Operations Audit

**Hometown Connections®**  
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# Hometown's Value Proposition

- Owned by and working for public power
- Support & endorsement by the APPA (parent)
- Relationships with trusted partners to deliver proven product solutions
- Networking relationships with utilities, joint action agencies and state associations
- Extensive knowledge base of public power systems, including operations, planning and purchasing decisions
- Advantages on pricing and/or product packaging
- Advocate in the sales & support process

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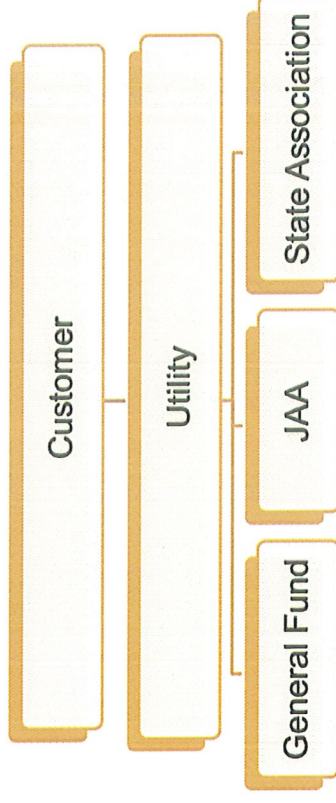
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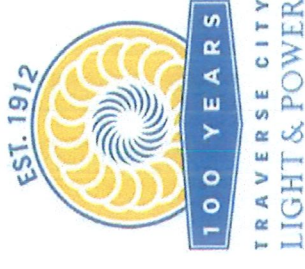
# TCLP Project Scope



- Management & Operations Audit
  - Customer service/community outreach
  - Utility/customer programs
  - Utility planning & operations
    - Power supply/transmission
    - Distribution
    - Employee safety
  - Governance/administration
  - Strategic planning
  - Rates, accounting, finance
  - Technology
  - Human resources
- Findings and recommendations
- Narrow timeline
  - Project kickoff to final report = 4 months (Nov-Feb)



# TCLP Project Team



- Tim Blodgett – CEO, Hometown Connections
- Bob Dyer – CEO, RTD Consulting
- Steve VanderMeer – Sr. VP, Hometown Connections
- Walter McGrath – Reg. Mgr., Hometown Connections
- 130 years of electric utility experience
- Diversified experience and backgrounds
  - Utility (IOU and municipal)
    - Management, distribution, generation, finance, customer service
  - City government
  - Power marketing

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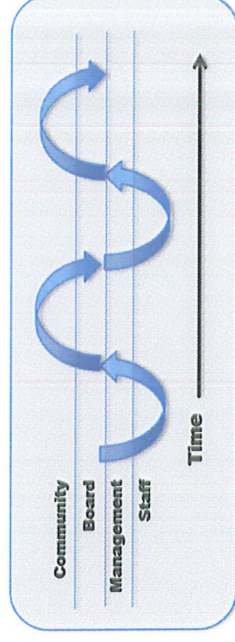
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# General Observations



- Community with diverse stakeholder interests
- Quality, reliable service with low rates today
  - High customer satisfaction ratings
- Medium/long term exposure in wholesale power supply
  - Recently trending towards power supply independency
  - Lack of long term contracts
- Staffing levels within normal distribution of utilities of similar size and general operations
- Governing bodies not aligned on utility's role, direction and expectations
- Lack of strategic planning involving key stakeholders (staff/community) driving long term success





# TCLP's Areas of Strengths



## **Customer Service**

- Customer satisfaction
- Utility bill
- Forms of payment
- Bad Debt

## **Community Outreach**

- Customer research
- Communications/education
- Media relations

## **Programs**

- Energy efficiency
- Renewables/net metering

## **Power Supply**

- MPPA membership
- Compliance with PA 295

## **Distribution**

- Design, redundancy, reliability
- System renewal
- Line losses
- Tree trimming
- RP<sub>3</sub> Award (Silver)

## **Employee Safety**

- Budget/committee/management participation
- Performance/recognition

## **Governance**

- Level of attention
- Quality people/participation

## **Strategic Planning**

- Strategic thinking/planning

## **Rates**

- Performance

## **Admin/Accounting/Finance**

- Budgeting process
- Cash Reserve policy
- General Fund transfer policy
- Track in-kind services/admin chargebacks
- Purchasing process/approval authority

## **Technology**

- Communications infrastructure
- Various software including engineering analysis/GIS

## **Human Resource**

- HR support (manpower & skill sets)
- Employee communications
- Union relations
- Employee compensation/benefits
- Employee training/development

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# TCLP's Areas For Improvement



## **Customer Service**

- Incentives towards least cost payment options
- Credit card payment fee
- Revenue cycle (minimal billing cycles)
- Collection policies/notification process
- Late pay penalties/reconnect fees

## **Community Outreach**

- After hours support (lack of IVR)
- Decreasing community involvement
- City's website (customer service info)

## **Programs**

- Economic development (clarity of role)
- Key accounts program

## **Power Supply**

- Long term planning
- Risk management policy/program
- Market exposure
- Participation in MPPA

## **Distribution**

- Evaluation of 24/7 dispatch/control room
- Fleet maintenance and materials stored outdoors
- Power factor issues

## **Employee Safety**

- Board adoption of safety manual
- Switching/Tagging written policy
- Disaster planning/drilling

## **Governance**

- Training and development
- Stakeholder input process
- Strategic dialog/vision/direction
- Participation in industry forums (state/national)
- Alignment of city commission and TCLP Board

## **Strategic Planning**

- Process
- Staff/community involvement
- Implementation

## **Rates**

- Transparency (publicize rates)
- Formalized Rates policy
- Rates/Cost-of-Service studies

## **Admin, Accounting, Finance**

- Budget tied to strategic plan
- Garage fund's service and economic health

## **Technology**

- Lack of technology roadmap/plan
- Cyber security

## **Human Resource**

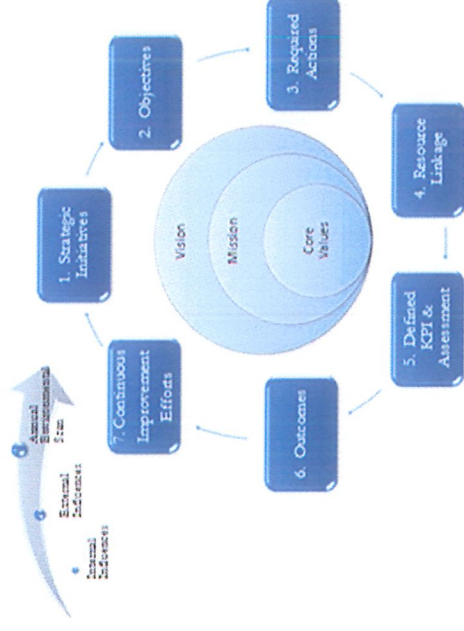
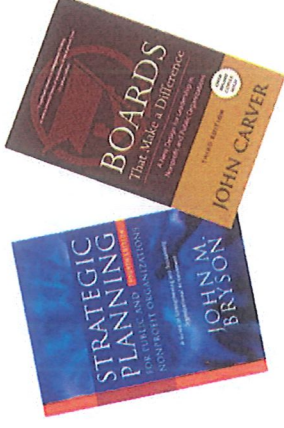
- Morale
- Personnel manual/new employee orientation
- Consistency of performance reviews
- Succession planning

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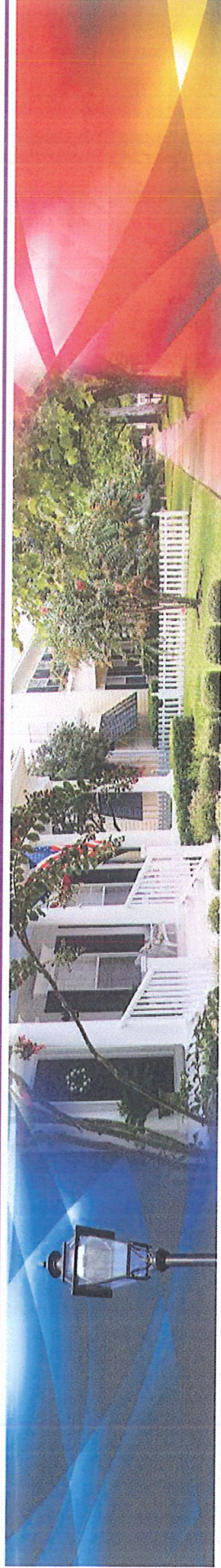
# Summary

- Improved governance
  - Better alignment
  - More development
- Better strategic planning
  - Involve stakeholders
  - Define strategic initiatives
  - Implement results
- More collaboration
  - Power supply
  - Other areas



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# *Integrated Solutions for Public Power*



ENGINEERING & OPERATIONS



CUSTOMER CONNECTIONS



BUSINESS & FINANCE



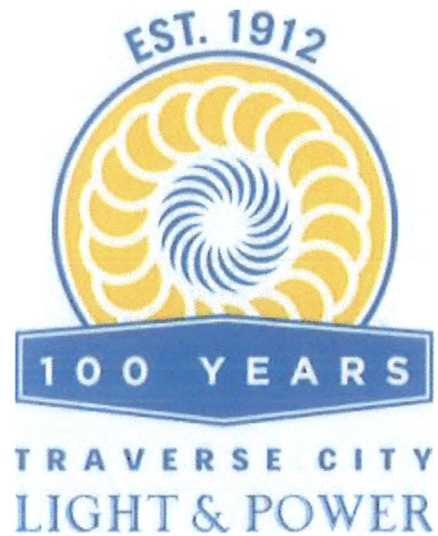
SYSTEM IMPROVEMENT



## Questions?

Tim Blodgett  
President and CEO  
303-526-4515  
[tblodgett@hometownconnections.com](mailto:tblodgett@hometownconnections.com)

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# ***COMPREHENSIVE ASSESSMENT OF TRAVERSE CITY LIGHT AND POWER***

Prepared by  
Hometown Connections, International, LLC  
A Subsidiary of the American Public Power Association

March 11, 2013

**Hometown Connections<sup>®</sup>**  
DELIVERING VALUE TO PUBLIC POWER

*Comprehensive Assessment*  
Traverse City Light and Power, Traverse City, Michigan

## Summary of Recommendations

Below is the compilation of recommendations from throughout this report.

### *Customer Service*

1. Hometown Connections would encourage customer service staff to explore ways by which stronger delineation can be made of the various services being billed.
2. Hometown Connections would encourage the customer service staff to consider more graphic representation of energy usage data.
3. Hometown Connections would encourage the use of page two for a stronger appeal to switch to those payment methods that are least cost to the utility.
4. Hometown Connections would strongly encourage the customer service and IT staff to thoroughly review the avenues by which utility customers can access payment information, ensuring that information is complete and current.
5. Hometown Connections would encourage Traverse City to assess periodically the fully loaded costs of the different forms of utility payments and *strongly* promote those that are more cost effective.
6. Customer service staff should understand the relative costs of the various forms of payment and encourage customers to move to those least cost forms of payment.
7. Customer service staff should evaluate the costs and benefits of waiving transaction fees for credit card payments with a goal of increasing utilization of this form of payment.
8. Hometown Connections recommends using outreach tools, such as surveys of customers, to explore customer preferences around bill paying, and building awareness of the desired payment options to customers through expanded bill messaging and bill stuffers.
9. Hometown Connections would encourage Traverse City to expand the number of billing cycles in order to provide for more timely distribution of electric bills, and revenue collection, sooner after the meter reading has taken place.
10. Hometown Connections would encourage Traverse City to evaluate the costs and benefits of discontinuing separate late/disconnect notices and door hangers.

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Traverse City Light and Power, Traverse City, Michigan

11. Traverse City should assess the costs of delinquency and termination activities (labor, fuel, depreciation, etc.) to ensure that the rest of the customer base is not subsidizing the additional costs incurred by delinquent customers.
12. Hometown Connections would encourage Traverse City to continue tracking its service termination rates.
13. Hometown Connections would encourage Traverse City to discontinue accepting payments by field staff.
14. Hometown Connections would encourage Traverse City staff to evaluate options for recovering additional bad debt.

*Community Outreach and Communications*

15. Hometown Connections would encourage Traverse City to explore options for offering call center hours outside of the 8:00 to 5:00 window.
16. Hometown Connections would recommend that staff evaluate the costs and effectiveness of some form of IVR or auto-attendant.
17. Hometown Connections would encourage the utility to track utility-sponsored and employee efforts – resources committee, employee volunteerism - and report these to customers and staff on a periodic basis.
18. Hometown Connections would strongly encourage a more prominent presence of the customer service operations on the city portion of the website, anticipating the most common questions and services that customers will be interested in, and further to create more links to the TCLP website.
19. Hometown Connections would encourage TCLP to offer additional online information resources for energy conservation and efficiency.
20. TCLP should post simple comparisons of its residential rates to neighboring utilities (or make more prominent their placement on its website).
21. Hometown Connections would encourage staff to review websites of similar sized utilities for comparison.
22. Utility staff should complete its due diligence before abandoning Facebook or other social media as an avenue of outreach and communications.
23. Staff should ensure that lines of communication always remain open between customers and the utility.

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***Utility Programs***

24. Hometown Connections would encourage the relevant governing boards to discuss the various roles that the electric utility may play in economic development and build a plan around those outcomes.
25. Hometown Connections would encourage TCLP to develop a more structured key accounts program that ensures regular and ongoing communication.
26. Hometown Connections would encourage TCLP to begin a dialogue with local stakeholders on the value of higher standards for its building energy code.
27. Hometown Connections would encourage the utility to benchmark other public power energy efficiency efforts, including both their program offerings and how they convey energy efficiency information to the customer.
28. TCLP should continue contributing to the APPA energy efficiency database as well as using it to benchmark its own performance.
29. Hometown Connections would strongly encourage Traverse City to leverage the resources available through APPA.
30. Hometown Connections would encourage TCLP to engage in a strategic discussion of the value of its customer programs and proceed to align its resources more closely to those customer and community needs.

***Power Supply***

31. Hometown Connections has significant concerns with the time elapsing between the plan elements for it to be effective. Current products, goals, IRP and capital budget are not properly coordinated.
32. The capital budget should reflect any proposed resource additions.
33. The utility should diversify the renewable energy portfolio by using multiple sources of smaller sizes over time versus a single contract, providing a more reliable alternative to current conditions.
34. TCLP should take an active role in participating in all of the committees, especially in the **Combined Cycle**, Base Resource, and Renewable Resource Investigation committee.
35. TCLP should use MPPA as the primary source of future power supply assets, as MPPA will have resources available to TCLP not generally available to systems the size of TCLP.



## *Comprehensive Assessment*

### Traverse City Light and Power, Traverse City, Michigan

36. TCLP should utilize a strong partnership with MPPA to restructure the energy services position, focus its attention on the committees of MPPA and work through MPPA to meet its power supply needs.
37. TCLP should make a policy decision to pursue future generation requirements through MPPA and focus all future activities through the appropriate committees of MPPA.
38. Develop a planning process that is appropriate for a system of TCLP's size and that utilizes its joint action agency as its source for resources and transmission.
39. Insure that there is a more formal process followed for the evaluation and selection of power supply contracts. By utilizing MPPA as the source of future generation, their internal process should address this issue.
40. Meet with the GM of MPPA and develop a plan that will identify the needs of TCLP that will replace the Power Purchase Agreement with LBWL as soon as possible. Create a transition for the Energy Services Agreement from LBWL to MPPA effective 12/31/2015. Develop a process to coordinate the contracts such as Heritage that do not involve MPPA.

#### ***Distribution Operations***

41. Hometown Connections would encourage the utility to evaluate acceptable alternatives to 24/7 staffing of the control room, either through on call staff and remote start capabilities or through contracting out or assigning this responsibility to another entity.
42. Hometown Connections would encourage TCLP to evaluate the costs and benefits of providing greater protection of utility stock and equipment.
43. Hometown Connections suggests that TCLP evaluate its purchasing guidelines on acquiring project stock prior to project approval.
44. Hometown Connections would encourage the utility to assess its physical security plan and make the appropriate improvements to ensure security and safety at its facilities.
45. Hometown Connections would suggest that the utility have other arrangements available for servicing its vehicles when the city garage is over worked.
46. Hometown Connections strongly encourages TCLP to embrace the GRP Engineering Inc. system loading study and implement its recommendations.
47. Hometown Connections would encourage TCLP to explore more fully the system's power factor and the need for so many capacitors. This may call for a "power factor" study which if performed properly should provide a clearer picture for causes of the poor power factor and provide suggestions to rectify.

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***Employee Safety***

48. Hometown Connections would recommend that an outside firm, with arc flash study experience, perform a study to affirm the internal findings and or offer additional suggestions for improvement.
49. Hometown Connections would encourage TCLP to develop a policy with timelines for locating any additional AEDs on utility property and vehicles.
50. Hometown Connections would encourage a formal endorsement of the *APPA Safety Manual* by the governing board.
51. Hometown would recommend that TCLP have written switching and tagging procedures.
52. Hometown Connections would encourage TCLP to develop and test its own plan as well as participate with other agencies training in disaster preparedness should they be scheduled.
53. Hometown Connections would encourage TCLP to review a broader slate of safety metrics that would fully describe the effectiveness of the utility's safety efforts.
54. Hometown Connections would encourage TCLP to develop more descriptive metrics and corresponding goals that better describe the utility's safety efforts.

***Governance***

55. Hometown Connections would urge the TCLP governing board to remain cognizant of the need for multiple and ongoing forums for communication and outreach between non-resident customers and the board.
56. City commission and TCLP board members must engage stakeholders in a deliberative discussion about the utility. The goal is to capture the many voices of the community in a thoughtful conversation about what the utility of the future should look like to best serve its customers and the community.
57. The outcomes of the stakeholder dialogue should provide a framework for joint meetings between the city commission and the board to find common grounds and to explore further the differences that remain.
58. We would strongly encourage additional governance development and training. This could include specific governance training as well as greater participation in state or national events for public power governing board members.
59. A renewed strategic planning process should be completed for the utility. The extended dialogue that has led up to this point should provide strong focus and

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direction for the utility to prioritize its activities to best meet its customers' and the community's needs.

***Strategic Planning***

60. Hometown Connections would strongly encourage TCLP to push its strategic thinking ahead further and develop a more thorough strategic plan that addresses far reaching goals for how the utility can operate successfully while providing benefit to the city government, to its customers and to the community as a whole.

***Rates***

61. Hometown Connections strongly encourages all public power utilities to publicize electric rates broadly, regardless of how they compare.
62. Hometown Connections would encourage TCLP to build its rate structures around a well-reasoned cost of service and rate study.
63. Hometown Connections would encourage a more formalized rate policy that outlines what factors will trigger a rate increase or decrease.
64. Hometown Connections would encourage the utility to conduct a rate and cost of service study every three to five years, performed by an independent, outside entity.

***Administration, Accounting and Finance***

65. For both the annual budgeting process and the capital improvement plan, Hometown Connections would strongly encourage TCLP leadership to develop stronger measures for developing the informed consent of community stakeholders and tie the CIP to TCLP's strategic plan.
66. Hometown Connections would strongly encourage TCLP to track in-kind services provided to the general fund, other funds or the community at large.
67. If the garage fund cannot maintain the confidence of its internal customers, Hometown Connections would encourage a competitive bidding process take place to ensure that those customers' needs can be optimally met.
68. Hometown Connections would strongly encourage a review of the operating guidelines of this fund to ensure that it is best serving the needs of its customers and the stakeholders whose dollars fund it.
69. We would encourage a review of TCLP's capital expansion practices and develop a policy that is adequate to fund the utility's new construction requirements driven by that development.

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Traverse City Light and Power, Traverse City, Michigan

***Technology***

70. Hometown Connections would encourage the utility to create a more comprehensive plan for how technology should be leveraged for the benefit of its customers.
71. Hometown Connections would encourage TCLP to remain current on AMI and smart grid technology and explore when the return on investment warrants implementation.
72. Hometown Connections applauds the steps that TCLP has taken and would encourage the utility to examine how fiber optics or other communications can best serve the utility's grid in a dependable manner.
73. Hometown Connections would strongly encourage TCLP to take more aggressive action on cyber-security issues, working with MPPA and others to monitor the ongoing security of its infrastructure.

***Human Resources***

74. Hometown Connections would encourage staff to consider the benefits of conducting an employee survey as an employee outreach and communications tool.
75. We would encourage the utility to implement a broader performance review system.
76. Hometown Connections would encourage TCLP to examine training policies that will promote greater employee retention.
77. Hometown Connections would encourage the utility to continue exploring ways to strengthen the recruitment and retention of a strong workforce.