

A REGULAR MEETING
Of The
TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

TUESDAY, July 22, 2014

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: 7-17-14
4:00 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 Regular Meeting of June 24, 2014. (Approval recommended) (p. 3)
- b. Consideration of adopting a Resolution to Amend Board Rule 2. (Approval recommended) (Myers-Beman) (p. 6)

Items Removed from the Consent Calendar

- a.

3. Old Business

None.

4. New Business

- a. Consideration of M-72 Wind Turbine Sale Counter Offer (Arends) (p. 12)

5. Reports and Communications

- a. From Legal Counsel.

None.

- b. From Staff.

1. Transmission Underground vs. Overhead cost comparison. (Arends) (p. 18)
2. 2013-14 Capital Improvements Plan annual report to Board. (Arends/staff) (p. 25)
3. 2013 Energy Optimization and Renewable Energy annual report to Board.
(Wheaton) (p. 33)
4. 2013-14 Third quarter financial report. (Myers-Beman) (p. 42)
5. Cherry Festival Renewable Energy Program. (Wheaton) (verbal)

- c. From Board.

6. Public Comment

/st

**TRAVERSE CITY
LIGHT AND POWER BOARD**

Minutes of Regular Meeting
Held at 5:15 p.m., Commission Chambers, Governmental Center
Tuesday, June 24, 2014

Board Members -

Present: Barbara Budros, Jim Carruthers, Jan Geht, Jeff Palisin, Bob Spence, John Taylor

Absent: Patrick McGuire

Ex Officio Member -

Present: Jered Ottenwess, City Manager

Others: Tim Arends, Scott Menhart, Karla Myers-Beman, Tom Olney, Kelli Schroeder, Stephanie Tvardek, Jessica Wheaton, Blake Wilson

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

Jim Carruthers requested item 2b be removed from the Consent Calendar for full discussion.

Item 2 on the Agenda being Consent Calendar

Moved by Carruthers, seconded by Palisin, 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 June 11, 2014.
- b. *Removed from the Consent Calendar.*
- c. Third Amendment to the Munson Dark Fiber Services Agreement.

CARRIED unanimously. (McGuire absent)

Items Removed from the Consent Calendar

- a. Consideration of renewal of the AT&T Phone Contract.

The following individuals addressed the Board:

Scott Menhart, Manager of Telecom and Technology

Moved by Geht, seconded by Budros, that the Board authorizes the Executive Director to execute a three year contract with AT&T in the amount of \$19,080.

CARRIED unanimously. (McGuire absent)

Item 3 on the Agenda being Old Business

- a. Public Hearing regarding proposed rate increase July 1, 2014.

The following individuals addressed the Board:

Karla Myers-Beman, Controller
Tim Arends, Executive Director

The Chairman opened the Public Hearing:

The following individuals from the public addressed the Board:

Michael Estes, Mayor of Traverse City, Ratepayer, Expressed Support
Rick Buckhalter, 932 Kelley Street, Ratepayer – Expressed Support

The Chairman closed the Public Hearing

Board discussion followed.

Moved by Budros, seconded by Palisin, that the Board authorizes an overall 1.5% electric service rate increase with a bandwidth increase and decrease of no more than 1.3% as proposed by Utility Financial Solutions along with the housekeeping changes to be implemented, as presented, effective July 1, 2014.

CARRIED unanimously. (McGuire absent)

Item 4 on the Agenda being New Business

- a. Consideration of After-Hours Dispatch Agreement with Cherryland Electric Cooperative.

The following individuals addressed the Board:

Tim Arends, Executive Director
Frank Siepkner, Cherryland Electric, Engineering and Operations Manager

Moved by Budros, seconded by Spence, that the Board authorizes the Chairman and Secretary to enter into a contract with Cherryland Electric Cooperative that would allow TCL&P to provide after-hours crew dispatch services to Cherryland Electric Cooperative; subject to approval as to substance by the Executive Director and as to form by General Counsel.

CARRIED unanimously. (McGuire absent)

Item 5 on the Agenda being Reports and Communications

- A. From Legal Counsel.

None.

- B. From Staff.

1. Tim Arends and Michael McGeehan, GRP Engineering, Inc. reviewed the need for the West Side Transmission Line.

Chairman Taylor asked for the Board's approval to suspend the board rules and allow public comment after item 5B1.

Moved by Carruthers, seconded by Spence, that the board rules be suspended to allow public comment after item 5B1.

CARRIED unanimously. (McGuire absent)

Item 6 on the Agenda being Public Comment

Emily Mitchell, 3716 Jefferson, Hickory Meadows Advisory Committee, Non-Ratepayer
Rick Buckhalter, 932 Kelley Street, Ratepayer
Nicole Gerard, 2973 Concord Street, Hickory Meadows Advisory Committee, Non-Ratepayer
Barbara Solmonson, 119 North Madison, Ratepayer
Mike Sleeman, 3680 Incochee Rd.
Cynthia Burzak, Elmwood/Wayne, Ratepayer
Mike Gaines, 425 North Madison, Ratepayer
Jamie Al-Shamma, 131 North Elmwood, Ratepayer
Pat Joseph, 502 North Spruce

General discussion amongst Board and staff continued regarding item 5B1.

Item 5 on the Agenda being Reports and Communications (continued)

6:55 p.m. Chairman Taylor called the meeting to recess.

7:01 p.m. Chairman Taylor called the meeting to order.

2. Energy Supply summary presentation by RTD Consulting and Howard Axelrod.

The following individuals addressed the Board:

Tim Arends, Executive Director

C. From Board.

1. Chairman Taylor proposed the cancelation of the July 8, 2014 regular meeting. It was the consensus of the Board to cancel.

There being no objection, Chairman Taylor declared the meeting adjourned at 7:43 p.m.

/st

Tim Arends, Secretary
LIGHT AND POWER BOARD



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Karla Myers-Beman, Controller *KMB*
Date: July 9, 2014
Subject: Board Rules Adoption

At a previous meeting, legal counsel noticed staff was not following the order of business (Rule # 2) as presented in the Rules of the Traverse City Light and Power Board. The order of business was being presented with the below modifications:

1. Number three was changed from Old Business to Unfinished Business.
2. Staff added Appointments.
3. Staff modified number seven from Board and Public Comment to Public Comment.

Presented below is the proposed new order of business to be adopted and changed in the Rules of the Traverse City Light and Power Board.

2. Order of Business and Agenda for Regular Meetings. The order of business and agenda for regular meetings of the Board shall be as follows:

1. Roll Call
2. Consent Calendar
3. Unfinished Business
4. New Business
5. Appointments
6. Reports and Communications
7. Public Comment

This item is appearing on the consent calendar as staff deems it to be a non-controversial housekeeping matter, and recommends the Board adopts the modifications to Rule #2 of the Traverse City Light and Power Board Rules. Approval of this item on the Consent Calendar means you agree with staff's recommendation.

If any member of the Board or the public wishes to discuss this matter, other than clarifying questions, it should be placed on the agenda as an item under Items Removed from the Consent Calendar. If after Board discussion you agree with staff's recommendation the following motion would be appropriate:

**MOVED BY _____, SECONDED BY _____, THAT AN
AMENDMENT TO RULE #2 OF THE TRAVERSE CITY LIGHT AND POWER BOARD
RULES, ORDER OF BUSINESS AND AGENDA FOR REGULAR MEETINGS BE ADOPTED.**

RULES OF THE TRAVERSE CITY LIGHT AND POWER BOARD

Adopted July 28, 1998
Amended February 8, 2011, Rule 11
Amended July 22, 2014, Rule 2

1. Regular Meetings. Regular meetings of the Light and Power Board shall be held on the second and fourth Tuesdays of every month at 5:15 P.M. in the Commission Chambers of the Governmental Center, 400 Boardman Avenue, Traverse City.
2. Order of Business and Agenda for Regular Meetings. The order of business and agenda for regular meetings of the Board shall be as follows:
 1. Roll Call
 2. Consent Calendar
 3. ~~Old Business~~Unfinished Business
 4. New Business
 - 4.5. Appointments
 - 5.6. Reports and Communications
 - 6.7. Board and Public Comment

Unless there is an objection by a Board member, the Chairman may alter the order of business.

3. Agenda and Packets. A written agenda and a packet of supporting materials shall be prepared by the Executive Director for every regular meeting, and shall be completed and released for delivery to the members of the Board not later than 5:00 P.M. on the Monday immediately preceding the date of said regular meeting.
4. Special Meetings and Special Business. Special meetings may be called by the Chairman or any two (2) Board members, or by the Executive Director, upon 18 hours posting and advance written notice to all Board members. Special meetings shall consider only such matters as are specified in the notice of the meeting, unless all voting members are present and a motion is passed pursuant to these Rules. Unless there is an objection by a Board member, the Chairman may alter the order of business. The Board may direct by a majority vote that any matter may be made the special business of a future meeting and the same shall have precedence over all other business at such meeting.
5. Consent Calendar.
 - A. When the Executive Director determines that any item of business requires action by the Light and Power Board, but is of a routine and non-controversial nature,

the Executive Director may cause such item to be presented at a regular meeting of the Light and Power Board as part of a Consent Calendar.

- B. The Consent Calendar shall be introduced by a motion to approve the Consent Calendar, and shall be considered by the Light and Power Board as a single item.
 - C. There shall be no debate or discussion by any member of the Light and Power Board, regarding any item on the Consent Calendar, beyond asking questions for simple clarification.
 - D. On request by any Light and Power Board member, staff or member of the public present to inclusion of any item on the Consent Calendar, that item shall be removed from the Consent Calendar. Such request may be recorded at any time prior to the taking of a vote on the motion to approve the Consent Calendar. All such items shall be considered individually at a place, on the agenda, determined by the Presiding Officer.
 - E. Approval of the motion to approve the Consent Calendar shall be fully equivalent to approval, adoption, or enactment of each motion, resolution, ordinance, or other item of business thereon, exactly as if each had been acted upon individually.
6. Presiding Officer. The Chairman shall preside at all meetings, and in the absence of the Chairman, the Vice-Chairman shall preside. If both the Chairman and the Vice-Chairman are absent, the Secretary shall call the Board to order and shall preside until a presiding officer is chosen. If the Secretary is absent, a majority of the Board then present shall select a Presiding Officer.
7. Rules of Order. The most current and authorized edition of Robert's Rules of Order shall govern the conduct of meetings unless modified by these Rules. The Presiding Officer shall decide all questions arising under these Rules and general parliamentary practice subject to appeal, which appeal shall be determined by a majority of the members present. In the event an appeal is taken by any member from the ruling of the Presiding Officer, the member of the Board desiring to appeal shall state that he claims an appeal from the ruling of the Presiding Officer and shall state briefly what, in his opinion, the ruling should have been. If this appeal is seconded, the Presiding Officer shall state clearly the question at issue, and shall then call for the vote of the Board on the question: "Shall the decision of the Presiding Officer be sustained?" The Presiding Officer shall preserve order and decorum and may speak to points of order in preference to other questions. The Presiding Officer may express an opinion on any subject under debate without the substitution of another Presiding Officer.

8. Motions. Every motion or resolution shall require a second before being put to a vote, and it shall not be debated until it shall be reduced to writing if requested by the presiding officer or any member, but it may be withdrawn at any time by the movant with consent of the second before decision or amendment. No motion to reconsider shall be entertained unless made by a member voting with the majority.
9. Amendment of Agenda at Regular Meetings. At a regular meeting, and as the first item after Roll Call, any official or officials of the Department, acting as such, may ask, orally or in writing, that a certain matter or matters be added to the agenda for consideration by the Board at that meeting. By motion that the matter or matters in question be added to the agenda of that meeting, passed by the concurring vote of not less than four (4) Board members, the matter or matters may be added to the agenda under an appropriate order of business and may be considered at that regular meeting.
10. Amendment of Agenda at Special Meetings. At a special meeting, and as the first item after Roll Call, any official or officials of the Department, acting as such, may ask, orally or in writing, that a certain matter or matters not appearing in the notice of that meeting as posted and released for delivery to the members of the Board be considered by the Board at that meeting. By motion that the matter or matters in question be considered at that meeting, passed by the concurring vote of not less than five (5) Board members, any such matters may be considered at that special meeting.
11. Public Comment. The Light and Power Board welcomes public comment and has prescribed the following to facilitate the conduct of public business.
 - A. Public Comment during Agenda Items. At any regular or special meeting, any interested person may address the Board on any agenda item if recognized by the Presiding Officer or upon request of any Board member. For any agenda item requiring action of the Board at that meeting other than the Consent Calendar, the Presiding Officer shall, before any final vote is taken, ask for and conduct public comment on that agenda item. Any interested person may address the Board on any matter of Department concern 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 as provided in subsection (E). As part of its deliberation, the Board may clarify, answer questions and ask questions as a result of public comment.
 - B. Public Comment during the designated Public Comment Section – Reserved. Any interested person or special interest group wishing to address the Board for a reserved time shall submit a written request to the Executive Director no later than Tuesday, 5:00 P.M. the week immediately preceding the date of said regular meeting. The communication shall (1) identify the writer’s name and address and

(2) identify with reasonable specificity the subject matter. The same shall appear on the written agenda under the designated “Public Comment” section for said regular meeting as made available to the news media and released for delivery to the Board. All persons must identify themselves and will be asked their address and to direct their comments to the Board. The comment of any member of the public or special interest group may be limited to 15 minutes except as provided in subsection (E). Questions posed may be answered at the meeting or may be referred to staff for response at a later time.

Reserved time shall be limited to one (1) per meeting and shall appear on the written agenda. A TCL&P ratepayer or city taxpayer shall take precedence over a non-TCL&P ratepayer or non-city taxpayer request. In such case, the non-TCL&P ratepayer or non-city taxpayer request shall be postponed and placed on the written agenda of a future meeting as selected by the non-TCL&P ratepayer/non-city taxpayer. In no case shall the non-TCL&P ratepayer/non-city taxpayer request be postponed more than one time in favor of a TCL&P ratepayer or city taxpayer. If more than one (1) request is received per meeting the requests shall be considered in the order they were received; subject to the above procedure.

- C. Public Comment during the designated Public Comment Section – General. Any interested person wishing to address the Board regarding other matters may do so under the designated Public Comment section. All persons must identify themselves and will be asked their address and to direct their comments to the Board. The comment of any member of the public or any special interest group may be limited in time as provided in subsection (E).
- D. Public Comment during the designated Public Comment Section – Board Chair and Board Members. The Board Chair and other Board Members interested in making a public comment may do so under the designated Public Comment section. Further, the Board Chair and Board Members may briefly respond for clarification purposes as a result of public comment.
- E. Order and Duration of any Public Comment. The comment of any member of the public or special interest group may be limited in time by the Presiding Officer. The Presiding Officer shall have the authority to limit and terminate any public comment that becomes disruptive, unduly repetitive, or impedes the orderly progress of the meeting. The Presiding Officer shall control the order and duration of any public comment, subject to appeal.

12. Suspension of Rules. The Rules may be suspended on the vote of five (5) members. The Rules may be amended by a majority vote of the members elect at a meeting held after the meeting at which the amendment was proposed.
13. Executive Director Spending Authority. The Executive Director shall have authority to expend up to one-tenth of one percent (0.1%) of current budget year total expenses, per transaction, involving the acquisition and disposal of personal property pursuant to City Charter Section 179(a) without the necessity of Board approval or securing competitive bids. Such authority shall also supply to the acquisition of services in furtherance of Light and Power activities.



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Tim Arends, Executive Director
Date: July 16, 2014
Subject: Consideration of M-72 Wind Turbine Counterproposal

Late last year the Board authorized the decommissioning of the M-72 Wind Turbine. Through the decommissioning process staff received pricing on turbine removal and site remediation, along with estimates on the scrap value of the unit. The net impact of removal, including site remediation, is reasonably estimated at \$160K.

Staff then initiated a competitive bidding process for the sale of the turbine and received one offer from Heritage Sustainable Energy ("Heritage" - the company that owns Stoney Corners Wind Farm in McBain, MI that TCL&P purchases its renewable energy). That offer is included in your packet for your review.

In analyzing the overall impact of selling the turbine for \$1,100 and the other conditions stated in the offer, including negotiating a power purchase agreement for TCL&P to buy the output from the unit, staff believes this one bid to be the best option in going forward with the least cost impact to the utility.

General Counsel has assisted staff in preparing a counterproposal for your consideration of approval. Heritage will have 60 days to inspect the unit and make a determination on following through with its offer to purchase. If their decision is to proceed with the purchase, staff will negotiate a power purchase agreement for the Board's consideration of approval. Please provide direction, if any, on expectations the Board may have in that agreement.

For your information, there have been two more interested parties in the turbine since the competitive bidding process closed. Staff has not talked specifics with these individuals, however, indicated that should the offer on the table fall through the utility would reopen the bidding process and notify them. In light of this development, it may be the desire of the Board to reject all bids to-date and rebid the sale of the unit at this time. If that is the pleasure of the Board, a no vote on the below staff recommended motion would be appropriate.

Because the offer from Heritage keeps this historic unit in its current location, providing renewable energy to TCL&P, and has become a landmark gateway to Leelanau County, staff believes a counteroffer is appropriate. Removing the utility from ownership of the unit also removes the responsibility of operation and maintenance costs from TCL&P, and the utility's

FOR THE LIGHT & POWER BOARD MEETING OF JULY 22, 2014

liability of future costs of removal/remediation/replacement (which one day will be required, of course).

If after Board discussion you agree with staff's recommendation the following motion would be appropriate:

**MOVED BY _____, SECONDED BY _____,
THAT THE BOARD AUTHORIZES THE CHAIRMAN AND SECRETARY TO EXECUTE A
COUNTERPROPOSAL TO HERITAGE SUSTAINABLE ENERGY FOR THE SALE OF THE
M-72 WIND TURBINE; SUBJECT TO APPROVAL AS TO SUBSTANCE BY THE EXECUTIVE
DIRECTOR AND AS TO FORM BY GENERAL COUNSEL.**

Counterproposal for Purchasing M-72 Wind Turbine

Offer:

The Traverse City Light and Power Department (TCL&P) offers to sell and assign related easements to Heritage Sustainable Energy, LLC (Heritage), upon the following terms and contingencies:

1. Price. The price shall be \$1,100 (One Thousand One Hundred Dollars).
2. M-72 Wind Turbine. The M-72 Wind Turbine shall include all related components, software, spare parts, transformers, and the electrical connection at the turbine to the transmission line which shall remain the property of TCL&P.
3. First Stage Contingencies. Within 60 (sixty) calendar days after written acceptance of this offer, Heritage shall have satisfied or waived the following contingencies:
 - a. Complete due diligence related to structural and mechanical inspection and condition of the wind turbine and related components showing them to be in a condition satisfactory to Heritage. All persons inspecting the windmill and turbine generator will be required to execute a TCL&P Release of all Claims.
 - b. Review all TCL&P contractual agreements related to the turbine and related components showing them to be in a condition satisfactory to Heritage.
 - c. Written waiver of the right of first refusal for the wind turbine generator by Terry K. Lautner and Catheryn L. Lautner.
4. Second Stage Contingencies. Upon satisfaction or waiver of the above contingencies, Heritage and TCL&P shall have 60 (sixty) days to agree in writing on the following:
 - a. A purchase power agreement for TCL&P to purchase power generated by the wind turbine which may be assignable by either party.
 - b. Written conveyance documents and assignments for the wind turbine, related components, and easements.
5. Unsatisfied or Un-waived Contingencies. If any of the above contingencies are not satisfied or waived within the above time periods, either party upon written notice to the other party, may cancel this agreement.
6. Closing. Upon satisfaction or waiver of all contingencies, closing and transfer shall occur within seven (7) calendar days.

TRAVERSE CITY LIGHT AND POWER
DEPARTMENT

Dated: _____

By: John Taylor
Its: Chairman

Dated: _____

By: Timothy J. Arends
Its: Secretary

Acceptance:

Heritage Sustainable Energy, LLC, accepts Traverse City Light and Power Department's Counterproposal and agrees to purchase the M-72 Wind Turbine upon the terms as above stated.

HERITAGE SUSTAINABLE ENERGY,
LLC

Dated: _____

By: Rick Wilson
Its: Vice President of Operations

APPROVED AS TO SUBSTANCE:

Timothy J. Arends
Executive Director

APPROVED AS TO FORM:

W. Peter Doren
General Counsel

RELEASE OF ALL CLAIMS

The undersigned Participant, being of lawful age, in consideration of permission granted to the undersigned by the TRAVERSE CITY LIGHT AND POWER DEPARTMENT (TCL&P), to participate in the touring of and climbing in the windmill and turbine generator, hereby releases TCL&P, its officers and employees from all actions, causes of action, damages, rights, costs, loss of service, claims, demands, expenses and compensation whatsoever, which the undersigned, the undersigned's heirs, executors, administrators, or assigns may have against TCL&P, its officers and employees, for all personal injuries known or unknown which the undersigned has or may incur by participating in the above-described activity.

The above activity is strenuous and I have consulted with my doctor and am not under any medical advice to not undertake strenuous activity or climbing.

I HAVE READ THIS RELEASE, UNDERSTAND ALL ITS TERMS AND EXECUTE IT VOLUNTARILY AND WITH FULL KNOWLEDGE OF ITS SIGNIFICANCE. I UNDERSTAND THAT BY SIGNING THIS FORM, I ACKNOWLEDGE THAT THE ABOVE ACTIVITIES HAVE CERTAIN RISKS ASSOCIATED WITH THEM AND I FULLY UNDERSTAND THOSE RISKS AND AM WILLING TO ACCEPT THEM.

Signed this _____ day of _____, 20 ____.

CAUTION: READ BEFORE SIGNING

Witness:

Participant:

Signature: _____

Signature: _____

Name: _____
[print]

Name: _____
[print]

Address: _____

Telephone: _____



June 16, 2014

Bid Proposal for: Purchasing of the M-72 Wind Turbine

Heritage Sustainable Energy, LLC ("Heritage") shall pay one thousand one hundred dollars (\$1,100.00) for the purchase of the TCLP wind turbine in Section 31, T28N-R11W, Elmwood Township, Leelanau County, Michigan inclusive of, but not limited to, all related components, software, spare parts, transformer(s), assignment of valid land use permits and land use agreements (including the 1995 Easement for Electrical Facilities that was granted to TCLP), interconnection cable and interconnection to the TCLP distribution system.

Closing of this acquisition will only occur if Heritage, at Heritage's sole discretion, is satisfied that the following contingencies have been met:

- 1) Heritage shall have 60 days to complete its due diligence related to the structural and mechanical condition of the wind turbine and related components;
- 2) TCLP will make available, and Heritage will have 45 days to complete a review of any TCLP contractual agreements related to the wind turbine and/or related components;
- 3) Heritage and TCLP shall have 60 days to agree to a mutually acceptable offtake agreement related to any future power generated by the wind turbine and its input into the TCLP electrical distribution system.
- 4) Heritage and TCLP shall have 60 days to agree to a mutually acceptable assignment and bill of sale for the wind turbine and related components.

Once Heritage acknowledges that the contingency issues stated above have been satisfied, then the closing and transfer of the wind turbine and related components from TCLP to Heritage will occur within seven (7) days. Upon closing Heritage will assume full decommissioning liability of the wind turbine and the restoration of the turbine site.

Sincerely,

A handwritten signature in blue ink, appearing to read "Rick Wilson", is written over the typed name.

Rick Wilson

Vice President of Operations

121 East Front Street, Suite 200, Traverse City, Michigan 49684
Telephone: 231-935-4500 Facsimile: 231-929-0242
www.heritagewindenergy.com



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tim Arends, Executive Director and Karla Myers-Beman, Controller
Date: July 16, 2014
Subject: Transmission Undergrounding vs. Overhead Comparison

VMB

Enclosed is information on the financial impact of bonding for undergrounding TCL&P's transmission system. As the utility moves forward with the process in determining the extent of replacing the aged west side transmission line this analysis is relevant if the Board has a desire to have a long range plan of moving all transmission lines underground.

GRP Engineering provided TCL&P staff the amount it would cost to replace the transmission system overhead and underground. The cost of overhead replacement is \$4,312,750 and the cost of underground is \$52,445,000, respectively. GRP Engineering performed simple calculations of taking the cost per mile based on the actual cost of undergrounding from the recent Bay Street transmission line undergrounding project. They assumed normal overhead and underground conditions and did not take into consideration any extreme site condition issues that may arise during the actual engineering of the line design.

In calculating the effects of the capital and financing costs to replace the transmission line system on customer rates, staff determined the revenue required for the capital improvement projects through the target operating income method. This analysis is for the next thirty years, the life of the bond and not the full life of the asset, which will extend an additional eight years.

As part of this process staff prepared two thirty-year projected operating income and cash flow statements (one for transmission overhead project and one for transmission underground project) with the goal of meeting a target operating income that covered the amount of interest expense on debt and a rate of return on net book value of 5% with the objective to recover asset replacement costs. The purpose of this is to be able to provide coverage of debt payments and expense the project to the rate payers who are benefiting from the capital improvement instead of moving it to future generations and to ensure the funds are available in the future when the replacement of the capital improvement is needed.

Staff followed this method solely and did not take into consideration the utility's minimum cash reserves balances in calculating the rate increases, because staff wanted to provide a full cost picture.

FOR THE LIGHT & POWER BOARD MEETING OF JULY 22, 2014

In the thirty-year projection the following assumptions were made:

1. Other operating revenues increased in the year 2015-2016 and 2020-2021 to reflect the capital additions on the Attachment O (MISO Revenue) for the East Hammond Substation and the new transmission line system. Staff was conservative in only including the cost of the transmission overhead costs and not transmission underground costs because undergrounding is not required for the system to operate and most likely would not be approved by MISO.
2. Load growth was estimated at 1%, typically it has been around 2% in the past, and staff has reduced it to account for the effects of energy optimization.
3. Inflationary increases for goods and services except for capital improvements are 2%. Capital improvements inflationary increases are at 3.2% based on information provided during Utility Financial Solutions cost of service study at the March 25, 2014 board meeting.
4. Bond payment schedule was based on the GRP Engineering's underground cost and amortized over thirty years at 3.5%, the current municipal bond rate on www.bloomberg.com.
5. The analysis is purely calculating the revenue requirement with an equal increase to all rates and not based on cost of service.

As mentioned previously, staff prepared two analyses of the operating statements and cash flows that incorporate the assumptions above; one is for the transmission underground project where bonding is required and the other includes the transmission overhead replacement capital project within the TCL&P's normal capital improvement plan. The difference between the two analyses provides the information on the rate impact on customers to bond and construct the transmission underground system.

The funds to be recovered over thirty years are as follows:

Changes in operating income target

1. Interest expense from the bond	\$32,683,807
2. Rate of return on net book value for underground	41,593,970
3. Less rate of return on net book value for overhead	(3,369,262)

Changes in operating statement

1. Additional depreciation costs	41,362,365
2. Additional city fee expense	<u>6,118,972</u>

Total **\$118,389,852**

FOR THE LIGHT & POWER BOARD MEETING OF JULY 22, 2014

Range of monthly impact on customer rates are as follow:

<u>Customer Class</u>	<u>Year 2</u>	<u>Year 15</u>	<u>Year 30</u>
Average residential	\$1.60	\$8.40	\$10.76
Average commercial	4.31	22.58	28.95
Average commercial demand	28.67	150.24	192.65
Average industrial	526.77	2,760.28	3,539.41

A spreadsheet is attached showing the average bill for residential, commercial, commercial demand and industrial and the percentage rate increases needed to recover the revenue to fund this project for thirty years.

At the conclusion of the presentation, staff will be seeking direction from the Board on whether or not it is interested in having staff prepare a board policy that includes a plan for undergrounding the utility's transmission system. If that is the desire of the Board, it will be incorporated into next year's capital plan and the west side transmission line upgrade project/process will be put on hold until that capital plan can be approved by the Planning Commission and City Commission.

**TRAVERSE CITY LIGHT & POWER
PROPOSED 69KV TRANSMISSION LINE REBUILDS**

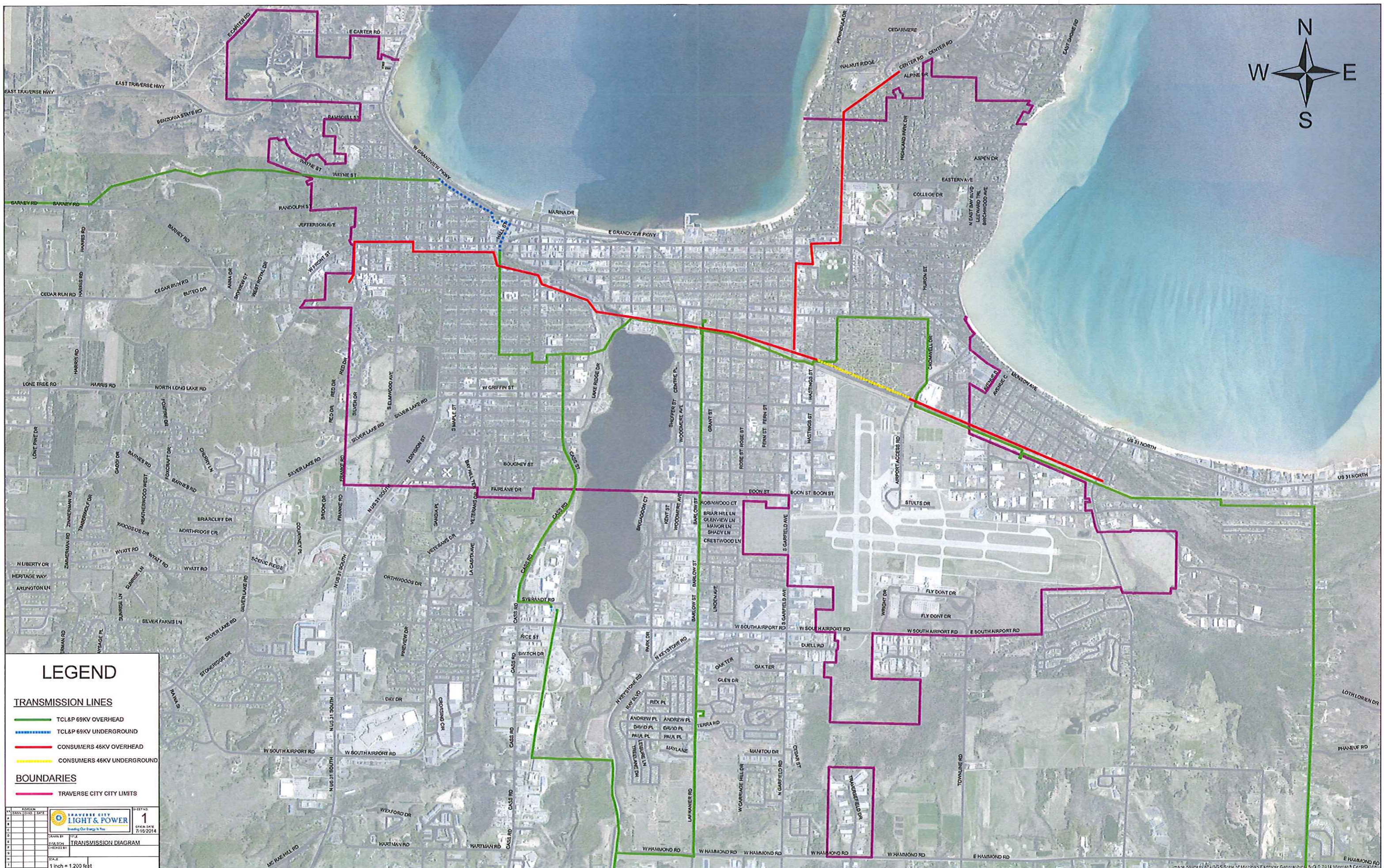
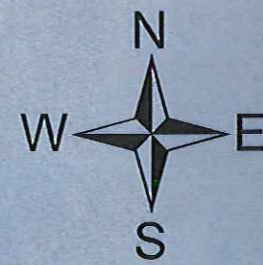
Year	Line Section	Roadways	Length	Estimated OH Cost	Estimated UG Cost
2015	Grey Road Sub to Hall Street Sub	Barney / Hickory Hills / Wayne St	3.20 miles	\$1,200,000	\$12,000,000
2015	Keystone Road to South Sub	Hammond / LaFranier Rd	1.14 miles	\$370,500	\$4,560,000
2016	South Sub to Barlow Junction	LaFranier / Barlow St	2.15 miles	\$752,500	\$9,675,000
2017	Barlow Junc to Parsons & Airport Access	Grove / Hannah / Steele / Eighth	2.71 miles	\$948,500	\$12,601,500
2017	Hall Street Sub to Cass Rd Junction	Wadsworth / Locust / Twelfth	1.17 miles	\$427,050	\$5,557,500
2018	Cass Rd Junction to Cass Rd Sub	Cass Street	1.66 miles	\$614,200	\$8,051,000
Estimated Total Cost				\$4,312,750	\$52,445,000

Traverse City Light and Power
 Transmission Project Undergrounding
 July 14, 2014

Rate Increases with Transmission Overhead Project						Rate Increases with Transmission Underground Project					
Year	Rate Increase	Monthly Cost of Average Residential Bill	Monthly Cost of Average Commercial Bill	Monthly Cost of Average Commercial Demand Bill	Monthly Cost of Average Industrial Bill	Year	Rate Increase	Monthly Cost of Average Residential Bill	Monthly Cost of Average Commercial Bill	Monthly Cost of Average Commercial Demand Bill	Monthly Cost of Average Industrial Bill
2015		66.88	177.97	1,206.09	22,443.40	2015		66.88	177.97	1,206.09	22,443.40
2016		67.71	180.11	1,221.47	22,740.27	2016		67.71	180.11	1,221.47	22,740.27
2017	2.50%	70.94	188.34	1,281.54	23,913.67	2017	5.00%	72.55	192.65	1,310.21	24,440.44
2018		72.09	191.18	1,303.12	24,344.19	2018		73.71	195.54	1,332.07	24,876.23
2019	2.50%	74.93	198.59	1,355.06	25,333.63	2019	5.00%	78.32	207.71	1,415.75	26,448.65
2020		76.13	201.58	1,377.72	25,786.09	2020		79.55	210.79	1,439.02	26,912.25
2021	2.25%	78.93	208.86	1,429.01	26,765.36	2021	4.85%	84.38	223.51	1,526.52	28,556.91
2022		80.19	211.99	1,452.78	27,240.17	2022		85.69	226.79	1,551.27	29,049.63
2023	2.13%	83.02	219.36	1,504.83	28,235.68	2023	4.77%	90.78	240.21	1,643.58	30,784.75
2024		84.34	222.64	1,529.74	28,733.56	2024		92.17	243.70	1,669.88	31,308.13
2025	1.00%	86.45	228.02	1,568.73	29,491.07	2025	1.00%	94.44	249.51	1,711.68	32,117.38
2026		87.82	231.43	1,594.68	30,010.22	2026		95.89	253.13	1,739.06	32,662.79
2027		89.22	234.90	1,621.09	30,539.04	2027		97.37	256.82	1,766.91	33,218.14
2028		90.64	238.43	1,647.98	31,077.72	2028		98.87	260.56	1,795.26	33,783.61
2029		92.09	242.01	1,675.35	31,626.46	2029		100.40	264.37	1,824.10	34,359.41
2030		93.56	245.66	1,703.21	32,185.44	2030		101.95	268.23	1,853.45	34,945.72
2031	1.00%	95.87	251.56	1,746.18	33,023.26	2031	1.00%	104.44	274.59	1,899.44	35,839.02
2032		97.40	255.34	1,775.20	33,606.02	2032		106.05	278.61	1,929.99	36,449.94
2033	1.25%	100.01	262.02	1,823.55	34,545.31	2033	1.25%	108.86	285.81	1,981.85	37,453.57
2034		101.61	265.97	1,853.81	35,153.49	2034		110.54	290.00	2,013.69	38,090.84
2035	1.25%	104.32	272.90	1,935.59	36,130.02	2035	1.25%	113.46	297.47	2,100.73	39,133.82
2036		105.98	277.01	1,935.59	36,764.66	2036		115.21	301.82	2,100.73	39,798.50
2037	1.25%	108.80	284.20	1,935.59	37,779.85	2037	1.25%	118.23	309.58	2,100.73	40,882.33
2038		110.53	288.48	2,020.67	38,442.03	2038		120.06	314.11	2,191.23	41,575.54
2039	1.25%	113.45	295.94	2,074.88	39,497.37	2039	1.25%	123.20	322.15	2,249.30	42,701.78
2040		115.26	300.39	2,109.17	40,188.22	2040		125.10	326.86	2,285.33	43,424.67
2041	1.25%	118.29	308.13	2,165.49	41,285.26	2041	1.25%	128.36	335.20	2,345.63	44,594.93
2042		120.18	312.77	2,201.23	42,005.94	2042		130.34	340.11	2,383.17	45,348.70
2043	1.25%	123.33	320.80	2,259.72	43,146.26	2043	1.25%	133.72	348.76	2,445.79	46,564.66
2044		125.29	325.62	2,296.98	43,897.99	2044		135.79	353.86	2,484.90	47,350.57
2045	1.50%	128.81	334.65	2,362.31	45,167.19	2045	1.50%	139.58	363.60	2,554.96	48,706.61

Note: The percentage increases above only reflect increases in the base rates the Monthly average customer cost reflects increases in load growth, base rate and the utility's power service cost recovery rate.

Traverse City Light ar				
Transmission Project				
July 14, 2014				
	Difference			
Year	Monthly Cost of Average Residential Bill	Monthly Cost of Average Commercial Bill	Monthly Cost of Average Commercial Demand Bill	Monthly Cost of Average Industrial Bill
2015	-	-	-	-
2016	-	-	-	-
2017	1.60	4.31	28.67	526.77
2018	1.62	4.35	28.96	532.04
2019	3.39	9.12	60.69	1,115.02
2020	3.43	9.21	61.30	1,126.17
2021	5.45	14.65	97.51	1,791.54
2022	5.50	14.80	98.49	1,809.46
2023	7.75	20.85	138.74	2,549.07
2024	7.83	21.06	140.13	2,574.56
2025	7.99	21.48	142.95	2,626.31
2026	8.07	21.70	144.38	2,652.57
2027	8.15	21.91	145.82	2,679.10
2028	8.23	22.13	147.28	2,705.89
2029	8.31	22.35	148.75	2,732.95
2030	8.40	22.58	150.24	2,760.28
2031	8.56	23.03	153.26	2,815.76
2032	8.65	23.26	154.79	2,843.92
2033	8.85	23.79	158.30	2,908.26
2034	8.93	24.03	159.88	2,937.35
2035	9.14	24.57	165.13	3,003.80
2036	9.23	24.82	165.13	3,033.84
2037	9.44	25.38	165.13	3,102.48
2038	9.53	25.63	170.56	3,133.51
2039	9.75	26.21	174.41	3,204.40
2040	9.84	26.47	176.16	3,236.45
2041	10.07	27.07	180.14	3,309.67
2042	10.17	27.34	181.95	3,342.77
2043	10.40	27.96	186.06	3,418.40
2044	10.50	28.24	187.92	3,452.58
2045	10.76	28.95	192.65	3,539.41



LEGEND

TRANSMISSION LINES

- TCL&P 69KV OVERHEAD
- TCL&P 69KV UNDERGROUND
- CONSUMERS 46KV OVERHEAD
- CONSUMERS 46KV UNDERGROUND

BOUNDARIES

- TRAVERSE CITY CITY LIMITS

NO.	SECTION	DATE	BY
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			

TRVERSE CITY LIGHT & POWER
 Building Our Energy Future

DRAWN BY: [Name]
 CHECKED BY: [Name]
 SCALE: 1 inch = 1,200 feet

PROJECT NO. 1
 DATE: 7/15/2014
 TRANSMISSION DIAGRAM




TRAVERSE CITY
LIGHT & POWER
Investing Our Energy In You

Capital Improvements Plan - 2013

ANNUAL UPDATE


FOR THE FISCAL YEAR ENDED
JUNE 30, 2014



TRAVERSE CITY
LIGHT & POWER
Investing Our Energy In You

LINE IMPROVEMENTS, EXTENSIONS, NEW SERVICES

- This includes all new services, upgrades to services, rehab work, replacement work (day-to-day work for line crews)
 - New construction
 - Replacement of old, sagging services
 - Rehabilitation of old poles and wires
 - Replacement of poles and wires due to accidents
 - Internal non-major circuit segment rebuilds
 - Many of these costs are reimbursed by customers or insurance




**TRAVERSE CITY
LIGHT & POWER**
Investing Our Energy In You

DISTRIBUTION CIRCUIT REBUILD

○

- BW-31 circuit rehabilitation (Munson Avenue – Base of Peninsula)
- Project designed in 2012
- Work began January 2014 utilizing TCL&P crews
- Project on hold until after Consumer's Energy customers are switched over to TCL&P
- Project update provided to the Board in May 2014




**TRAVERSE CITY
LIGHT & POWER**
Investing Our Energy In You

SOUTH SUBSTATION

○

- Completion date for the South Sub Project remains at November 14, 2014 for the distribution lines, and November 28, 2014 for the substation on LaFranier Road
- June 16, 2014: Installation of underground conduit began at the Grand Traverse Health Department from LaFranier to the west side of Garfield Rd. To-date 2,580 trench feet consisting of two six-inch conduits have been installed
- July 3, 2014: Elmer's began excavation – land is being leveled and various trees are being removed in preparation to build the structure and control house. Excavation is expected to be completed by July 25, 2014.
- July 14, 2014: Construction began on the overhead lines



**TRAVERSE CITY
LIGHT & POWER**
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O/H TO U/G CONVERSION PROJECTS

○

- Residential underground project was planned on Spruce Street to remove inaccessible aged line to the street right-of-way.
- Project is designed
- Will be coordinated with other utilities to allow for complete removal of pole line
- Project authorization request to Board by late summer with Spring 2015 construction anticipated



**TRAVERSE CITY
LIGHT & POWER**
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PINE STREET OVERHEAD TO UNDERGROUND CONVERSION

○

- This project is contingent upon the construction of the pedestrian bridge, City to begin construction late Fall 2014
- Conduit has already been installed south of Front Street
- Conduit to be installed north of Front Street across the river once the bridge is complete
- TCL&P tentatively plans to install conductor Spring 2015



TRAVERSE CITY
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STREET LIGHT SYSTEM ADDITION – SILVER DRIVE



- TCL&P crews began work on this project July 14, 2014
- Crews are installing 86w LED post top decorative lighting fixtures on Silver Drive from Cottageview Drive south to Silver Lake Road
- Installation is expected to be completed by August 15, 2014, but two other departments are assisting with installation and the needs of those departments elsewhere may affect the completion time




TRAVERSE CITY
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STREET LIGHTING (LED) SYSTEM REPLACEMENTS




- Part of a long-range plan to convert the city's 2,328 street lights from high pressure sodium to LED for energy efficiency purposes
- TCL&P installed 200 LED lights at various roadway locations throughout the city, primarily in the business districts
- To-date 752 lights have been converted to LED
- 2014-15 the effort will be doubled to accelerate the completion, per the Board's direction



TRAVERSE CITY
LIGHT & POWER
Investing Our Energy In You

EAST SUBSTATION


- The new East Hammond Substation was completed and energized on May 27, 2014
- This substation provides a new 69kV loop feed from the 138kV source line to Parson Sub, Barlow Sub, South Airport Sub (Wolverine owned) and the future TCL&P South Sub, and then to Grand Traverse Sub – which is the second 138kV source in the loop



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HASTINGS SERVICE CENTER FACILITY IMPROVEMENTS

- Increase to building security based on a recommendation in the Hometown Connections audit
- Improvements included renovation to the entrance to limit access, monitor visitors and allow for a better functioning workspace
- Construction bid was awarded in July 2013, renovations were completed in December 2013




**TRAVERSE CITY
LIGHT & POWER**
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SUBSTATION SECURITY CAMERAS

○

- While planned completion was by June 20, 2014, TCL&P staff experienced unexpected, higher priority issues pushing back the release date of the Security Camera RFP
- Staff has resumed focus on this item and will release an RFP in August



**TRAVERSE CITY
LIGHT & POWER**
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JOINT TCL&P, CITY OF TC AND DDA PROJECTS

○

- Bayfront Trail Lighting Phase I & II
 - ✦ It was anticipated that TCL&P would be asked to financially participate with lighting the TART trail extension through Clinch Park. Participation was not requested. Funding removed from 2014-15 capital plan.
- Garland Street Streetscapes
 - ✦ Decorative street lighting project along Garland Street did not commence in 2013-14. Anticipated and budgeted for 2014-15 fiscal year.



JOINT TCL&P, CITY OF TC AND DDA PROJECTS

- Park Street Streetscapes
 - × Decorative street lighting project along Park Street did not commence in 2013-14. Anticipated and budgeted for 2014-15 fiscal year.

- Pine Street Pedestrian Way
 - × Funding was included for TCL&P's anticipated contribution to the pedestrian bridge over the Boardman River to accommodate installation of a new circuit to Front Street. Additional funding was removed from 2014-15 capital plan as the Pine Street O/H to U/G budget contains funding for this project

TRAVERSE CITY LIGHT & POWER
SIX YEAR CAPITAL IMPROVEMENTS PLAN 2013
For the fiscal year ended June 30, 2014

	Fiscal Year 2013-14	Amount Spent To Date
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Distribution and Substation:

1.	Line Improvements, Extensions, New Services (Annual Program)	\$ 825,000	954,074
2.	Distribution Circuit Rebuild	850,000	114,970
3.	69kV/13.8kV Distribution Substation-SOUTH	3,750,000	426,343
4.	OH to URG Conversion Projects	75,000	-
5.	Pine Street Overhead to Underground Conversion	1,000,000	5,065
6.	Street Lighting System Addition	100,000	27,678
7.	Street Lighting (LED) System Replacements (Annual Program)	95,000	86,550

Transmission and Substation:

8.	69kV Transmission Line & Substation - EAST	4,200,000	7,211,483
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Facilities:

9.	Hasting Service Center Facility Improvements	125,000	41,150
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SCADA, Communications, and Other Items:

10.	Substation Security Cameras	75,000	-
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Joint TCL&P, City of Traverse City, and DDA Projects

11.	Bayfront Trail Lighting Phase I & II	50,000	-
12.	Garland Street Streetscapes	200,000	-
13.	Park Street Streetscapes	100,000	-
14.	Pine Street Pedestrian Way	655,000	-

	TOTAL	\$ 12,100,000	8,867,313
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**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Jessica Wheaton, Manager of Energy Services & Key Accounts 
Date: July 14, 2014
Subject: 2013 Annual Report: Energy Optimization & Renewable Energy

In 2008 the legislature passed Public Act 295, also known as the “Clean, Renewable and Efficient Energy Act,” which requires all utilities to assist customers in improving their electric energy efficiency through energy optimization programs; and further requires all utilities to increase the amount of renewable energy in its generation portfolios.

Through the Michigan Public Power Agency, TCL&P filed its required reports for energy optimization and renewable energy to the Michigan Public Service Commission on May 31, 2014 and June 30, 2014, respectively.

Energy Optimization

In 2013, TCL&P achieved a savings of nearly 2.8 million kilowatt hours (kWhs) through the utility’s energy efficiency programs, exceeding the state-mandated goal by 30% and saving enough electricity to power approximately 428 Traverse City area homes for an entire year. Between TCL&P’s residential and commercial programs, the estimated demand reduction is 483 kilowatts (kW).

The program offered many opportunities for customers to save energy and money on their utility bills. Those opportunities included:

- Free compact fluorescent light (CFL) bulbs
- Coupons for discounted LED holiday light sets
- Incentives for purchasing ENERGY STAR appliances and recycling old, inefficient refrigerators, freezers, room air conditioners, and dehumidifiers
- Home energy assessments (audits)
- Rebates for purchasing a share in TCL&P’s Community Solar Project – the first of its kind in Michigan
- Income qualified customers received home energy assessments and access to resources to make recommended energy saving upgrades
- Business customers were offered incentives for upgrading to equipment with greater energy efficiency, including lighting, motors, air systems, refrigeration, HVAC units and building management systems

Staff is currently developing a Request for Qualifications to seek assistance with developing a long-term Energy Efficiency Plan that will focus on managing load growth aimed at reducing on-peak demand. Consistent with the utility’s Strategic Plan, it is staffs hope that this Plan will be ready for Board adoption by early 2015, so implementation of the Plans recommendations can be included in the 2015-16 budget.

Renewable Energy

In addition to helping Michigan residents become more energy efficient, Public Act 295 also requires Michigan utilities to acquire 10% renewable energy by 2015. TCL&P's successes to-date in meeting the state-mandated renewable energy goal include:

- A long-term agreement to buy electricity that is generated from the Heritage Stoney Corners wind farm. In 2013, 25,056,192 kWh of wind energy was produced from this agreement which is equivalent to powering approximately 3,831 Traverse City area homes for an entire year.
- A long-term agreement to buy electricity that is generated from the Granger landfill gas facility. In 2013, 7,583,950 kWh of landfill gas energy was produced for TCL&P from this agreement which is equivalent to powering approximately 1,160 Traverse City area homes for an entire year.
- Owning and operating the country's largest utility grade wind turbine when it was installed in 1996. At 600 kilowatts, it is small in comparison to today's larger units. Even though the unit was down for repairs or running at half power during a period of the year, it still produced 350,422 kWh of wind energy, which is equivalent to powering 54 Traverse City area homes for an entire year.

For the 2013 reporting period, TCL&P generated or acquired 32,990,564 kilowatt hours of renewable energy. During this timeframe, TCL&P's renewable energy was 11.1% of its total retail electric sales and TCL&P anticipates this percentage to continue to rise with the increase in landfill gas energy production.


Cost to Customers

TCL&P currently does not charge its customers for either the Energy Optimization or Renewable Energy Plan expenses as allowed by Public Act 295.

- The 2013 itemized cost to a residential customer for implementing the Energy Optimization program requirements was \$0.72 per month
- The 2013 itemized monthly surcharge for a TCL&P residential customer for the Renewable Energy Plan requirements under Public Act 295 was \$0.00.
- The average electric residential customer is expected to save \$3.21 each month of the Energy Optimization program's life.
- For the average Michigan residential customer, renewable energy is estimated to avoid \$3.90 per month of new coal-fired generation costs.
- The Michigan Public Service Commission's annual report on renewable energy can be viewed at the following website: www.michigan.gov/mpsc.

2013 Annual Report Energy Optimization


Program Results



TRaverse CITY
LIGHT & POWER
Investing Our Energy In You

2013 Program Summary

- 2013 Goal: 1% kWh sales
 - Equal to 2.15 million kWh (takes into consideration the program rollovers from 2012)
- TCL&P Claimed Savings: 2.9 million kWh
- TCL&P Verified Savings (# reported to MPSC): 2.7 million kWh
- 30% above goal
- Saved enough energy in 2013 to annually power 428 TC area homes
- Spent \$384,678 on program implementation, education and customer incentives



TRaverse CITY
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Residential - Low Income

- Customer must be at or below 200% of the Federal Poverty Level to participate
- Provided 16 whole-home energy assessments through TC Saves including:
 - Upgraded 82 lights to CFLs
 - Installed 16 LED nightlights
 - Installed 5 programmable thermostats
 - Replaced and recycled 11 refrigerators
 - Also installed pipe wrap, low flow shower heads, and kitchen and bathroom aerators



Residential - Efficient Lighting

- Distributed 3,950 CFLs
- Installed 81 smart power strips
- Installed 41 programmable thermostats
- Distributed 47 LED nightlights
- 54 customers took advantage of discounted LED holiday lights



Residential - Appliance Recycling

- Recycled 22 dehumidifiers and 19 room air conditioning units
 - \$15 customer rebate
- Picked up and recycled 167 refrigerators and freezers
 - \$60 customer rebate



Residential - Efficient Appliance & HVAC

- Customers received a rebate for purchasing efficient appliances, ENERGY STAR equipment and HVAC units
- 80 customers took advantage of this program
- \$8,055 distributed in customer incentives



Residential - Pilot

- Community Solar Project – Solar Up North (SUN) Alliance
- 33 customers participated, purchasing 79 panels
- Each customer received a \$75 rebate per panel
- Credit on customer’s monthly bill for their panel output



SUN ALLIANCE



Residential and C&I - Education

- Bill inserts
- Bill taglines
- Direct mailers
- Promotional flyers and posters
- TC Saves
- Cherry Festival Green Energy Day

LIGHT READING

Be Energy Smart and Save

Traverse City Light & Power (TC&P) offers a variety of ways to help cut energy costs, conserve energy, and enjoy the benefits of energy efficiency.

REBATES

- Purchase a qualified ENERGY STAR® high efficiency heat pump water heater
- Upgrade your furnace to an energy efficient model that includes an electronically commutated motor
- Upgrade your central air conditioning unit to one with a 13 Seasonal Energy Efficiency Ratio (SEER)

RECOMMENDATIONS

- Energy professionals or TruGreen®. Free audit.

ENERGY SAVING TIPS

- Upgrade to energy efficient LED light bulbs
- Upgrade to a high efficiency electric clothes dryer with condenser
- Purchase a qualified ENERGY STAR® refrigerator

ENERGY SAVING IDEAS

- Purchase a qualified ENERGY STAR® personal computer
- Upgrade air conditioning thermostat to programmable thermostat
- Install an ENERGY STAR® qualified smart air conditioner
- Install an ENERGY STAR® qualified dehumidifier

ENERGY SAVING IDEAS

- Purchase a qualified "Smart Strip" or intelligent surge protector

Encourages an efficient business customer when they install more efficient lighting, motors, air systems, refrigeration units, water heating systems, and ductwork.



C&I - Prescriptive

- 40 completed projects
- 1,084,745 kWh in savings
- \$42,793.68 distributed in customer incentives
 - Incentives ranged from \$60 to \$7,000



C&I - Custom

- 15 completed projects
- 816,987 kWh in savings
- \$65,062.95 distributed in customer incentives
 - Incentives ranged from \$265 to \$15,000



C&I - Pilot

- Wind turbine/solar energy unit at entrance to Clinch Park
- Power generated feeds back into the grid to offset electric for snow melt and lighting



C&I - Small Business Direct Install

- Targeted small businesses
- Direct Install Team installed energy saving products such as CFLs, LED exit signs, vending machine controls and programmable thermostats
- 53 small businesses participated
- Achieved 218,847 kWh in savings



2014 Long Term Energy Plan

- Included in Strategic Plan
- Staff has developed an RFQ to be released August 2014
- Once submissions are received, TCL&P's review committee (staff and board members) will select qualified consultants to submit RFP
- Consultant to be selected October 2014
- New Plan implementation to begin in early 2015





To: Light and Power Board
From: Karla Myers-Beman, Controller *KMB*
Date: July 3, 2014
Subject: Quarterly Financial Report

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

Electric Utility Fund:

As of March 31, 2014 (75% through the fiscal year) operating revenues are 81.9% of budgeted operating revenues. The Board's action to remove the cap on the Power Cost Recovery Rate (PCR) as of October 1, 2013 has resulted in the overall increase in revenues over the prior year.

Total operating expenses are at 73.2% of budget year-to-date, or very nearly on-budget. Overall purchased power costs are at 73.7% of budget. Other expense categories are at or under budget through the third quarter. Transmission expense is under budget due to the allocation factor of Attachment O being lower than expected and no contingent maintenance on the transmission lines. Metering and Customer Service Distribution are under budget, because the distribution of human resource services was not recorded along with meter reading wages being distributed to other departments based on actual work performed. Conservation and Public Services is significantly under budget at 28.7% because of the additional allocation of PA 295 funds during the budget process that will not be expended until a plan is developed in the 2014-2015 fiscal year. General Administration expense is under budget because of positions not being filled.

Net income through the third quarter is \$3.48 million, which is ahead of budget.

Fiber Fund:

Revenues in the Fiber Fund are on-budget while expenses are under budget (favorable). Net income of \$38,974 is 61.4% of budget through March. The fund has positive cash flow and may begin reimbursements to the electric utility fund for the initial investment of the backbone fiber network.

Total operating expenses are at 83.7% of budget year-to-date, or very nearly on-budget. Supervision and Maintenance have exceeded budget estimates slightly because of the assistance provided to GTACS in starting up their connection to our fiber network, which is offset by the reimbursements received in non-operating revenues.

TRAVERSE CITY LIGHT & POWER

Balance Sheet

3/31/2014

ASSETS		LIABILITIES AND NET ASSETS	
Current assets		Current liabilities	
Cash and cash equivalents	\$2,556,877	Accounts payable	\$1,689,882
Investments	18,715,595	Customer deposits & credits	137,958
Receivables		Accrued expenses & other liabilities	530,939
Customer (net of allowance)	4,038,790	Due to primary government	159,866
Accrued interest	64,836		
Taxes	0	Total current liabilities	2,518,645
Other	292,222		
Inventories	1,729,920	Long-term liabilities	
Prepaid expenses	29,251	Compensated absences	230,349
Total current assets	27,427,490	Total liabilities	2,748,994
Long-term assets		Net assets	
Long-term advances & OPEB assets	1,030,284	Invested in capital assets	47,058,773
Land and land improvements	1,391,296	Unrestricted	25,708,780
Construction in progress	8,752,467		
Capital assets, net	36,915,010	Total net assets	72,767,553
Total long-term assets	48,089,057		
		Total liabilities and net assets	\$75,516,547
Total assets	\$75,516,547		
		Total Cash & Investments	\$ 21,272,471.09
		Difference	\$ -

TRAVERSE CITY LIGHT & POWER
Schedule of Revenues & Expenses - Budget and Actual
For the Month Ended March 31, 2014

	Current Month	Y-T-D Actual	Annual Budget	% of Budget
Operating revenues - sales	\$ 2,280,933	\$ 24,579,041	\$ 29,971,000	82.0%
Other operating revenues	197,974	2,175,846	2,704,000	80.5%
Total operating revenues	2,478,907	26,754,887	32,675,000	81.9%
Generation expense:				
Purchased power	583,208	4,878,597	6,440,000	75.8%
Stoney corners-wind energy	261,593	2,157,671	2,970,000	72.6%
Combustion turbine	224,506	2,206,231	3,978,000	55.5%
Campbell/belle river	1,052,272	8,035,654	8,840,000	90.9%
Landfill gas	24,792	281,580	460,000	61.2%
Other operations & maintenance	75,492	196,240	78,000	251.6%
Total generation expenses	2,221,863	17,755,973	22,766,000	78.0%
Distribution expense:				
Operations & maintenance	289,256	2,485,172	3,470,000	71.6%
Transmission expense:				
Operations & maintenance	38,825	238,734	420,900	56.7%
Other operating expense:				
Metering & customer accounting	24,698	289,117	573,400	50.4%
Conservation & public services	24,740	294,670	1,027,750	28.7%
General administration	63,219	635,102	1,163,950	54.6%
Insurance	5,655	42,493	66,350	64.0%
Depreciation expense	156,574	1,409,250	1,982,000	71.1%
City fee	120,000	1,080,000	1,634,700	66.1%
Total other operating expenses	394,886	3,750,632	6,448,150	58.2%
Total operating expenses	2,944,830	24,230,511	33,105,050	73.2%
Operating income/(loss)	(465,923)	2,524,376	(430,050)	-587.0%
Other revenues/(expenses):				
Non-operating revenues	215,904	957,481	430,050	222.6%
Non-operating expenses	0	0	0	---
Net income	\$ (250,019)	\$ 3,481,858	\$ -	

TRAVERSE CITY LIGHT & POWER
Revenue & Expenses Compared

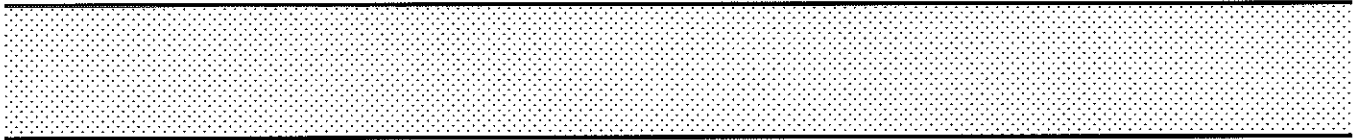
	March 2014	March 2013	Increase/ Decrease	%	Y-T-D 3/31/2014	Y-T-D 3/31/2013	Increase/ Decrease	%
	\$	\$	\$	#DIV/0!	\$	\$	\$	#DIV/0!
Federal Grants	-	-	-		-	-	-	
State Grant - Other	-	-	-		-	-	-	
Residential Sales	381,082.40	426,344.99	(45,262.59)	(10.6)	4,464,612.81	4,464,612.81	479,854.81	10.7
Commercial Sales	1,082,911.72	1,062,563.85	20,347.87	1.9	11,916,878.41	10,966,859.97	950,018.44	8.7
Industrial Sales	778,416.66	656,936.78	121,479.88	18.5	7,266,073.38	6,708,932.24	557,141.14	8.3
Public Authority Sales	20,674.34	13,822.49	6,851.85	49.6	228,999.63	209,478.15	19,521.48	9.3
Street Lighting Sales	11,866.59	16,241.82	(4,375.23)	(26.9)	161,664.99	146,083.97	15,581.02	10.7
Yard Light Sales	5,981.62	6,487.98	(506.36)	(7.8)	60,957.13	58,871.73	2,085.40	3.5
Forfeited Discounts	6,470.81	4,355.94	2,114.87	48.6	43,691.13	44,410.11	(718.98)	(1.6)
Merchandise & Jobbing	0.00	1,655.00	(1,655.00)	(100.0)	57,164.94	26,537.73	30,627.21	115.4
Interest & Dividend Earnings	3,916.78	9,287.60	(5,370.82)	(57.8)	283,773.89	164,992.38	118,781.51	72.0
Rents & Royalties	1,475.00	1,475.00	-	0.0	42,857.38	19,210.00	23,647.38	123.1
Sale of Fixed Assets	-	-	-		55,567.60	-	55,567.60	#DIV/0!
Reimbursements	210,512.56	17,232.56	193,280.00	1,121.6	539,351.37	123,237.02	416,114.35	337.7
Recovery of Bad Debts	-	62.50	(62.50)	(100.0)	142.96	62.50	80.46	128.7
Sales of Scrap	470.00	3,305.42	(2,835.42)	(85.8)	33,615.46	50,090.90	(16,475.44)	(32.9)
Miscellaneous Income	2,304.72	3,177.89	(873.17)	(27.5)	24,622.02	39,703.75	(15,081.73)	(38.0)
Refunds & Rebates	-	-	-		1,404.90	2,222.59	(817.69)	(36.8)
Pole Rentals	-	-	-		35,931.01	41,443.05	(5,512.04)	(13.3)
MISO Revenues	188,728.38	124,479.61	64,248.77	51.6	2,015,204.84	1,870,691.46	144,513.38	7.7
Total Revenues	\$ 2,694,811.58	\$ 2,347,429.43	\$ 347,382.15	14.8	\$ 27,712,368.66	\$ 24,937,440.36	\$ 2,774,928.30	11.1

Expenses:

Generation Operations & Maint	\$ 2,221,862.70	\$ 1,983,785.14	\$ 238,077.56	12.0	\$ 17,755,973.32	\$ 18,047,841.96	\$ (291,868.64)	(1.6)
Distribution Operations & Maint	289,256.27	354,526.36	(65,270.09)	(18.4)	2,485,172.29	2,600,152.79	(114,980.50)	(4.4)
Transmission Operations & Maint	38,825.19	23,065.39	15,759.80	68.3	238,733.72	287,527.83	(48,794.11)	(17.0)
Metering & Customer Accounting	24,698.09	52,547.84	(27,849.75)	(53.0)	289,117.43	377,451.29	(88,333.86)	(23.4)
Conservation & Public Services	24,740.01	15,057.62	9,682.39	64.3	294,669.96	1,567,756.79	(1,273,086.83)	(81.2)
Administration	63,219.25	81,519.93	(18,300.68)	(22.4)	635,101.62	828,976.45	(193,874.83)	(23.4)
Other	282,229.34	276,109.94	6,119.40	2.2	2,531,744.06	2,475,304.92	56,439.14	2.3
Total Expenses	\$ 2,944,830.85	\$ 2,786,612.22	\$ 158,218.63	5.7	\$ 24,230,512.40	\$ 26,185,012.03	\$ (1,954,499.63)	(7.5)

Net Income	\$ (250,019.27)	\$ (439,182.79)	\$ 189,163.52	(43.1)	\$ 3,481,856.26	\$ (1,247,571.67)	\$ 4,729,427.93	(379.1)
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**TRAVERSE CITY LIGHT & POWER
FIBER FUND
Balance Sheet
3/31/2014**



ASSETS		LIABILITIES AND NET ASSETS	
Current assets		Current liabilities	
Cash and cash equivalents	\$294,346	Accounts payable	\$0
Accounts receivable	3,118	Due to other funds	10,402
Prepaid Insurance	229	Deferred revenue	13,200
Total current assets	297,693	Total liabilities	23,602
Long-term assets		Net assets	
Construction in progress	101,666	Contribution from other funds	1,208,876
Capital assets, net	1,223,016	Unrestricted fund balance	389,898
Total long-term assets	1,324,682	Total net assets	1,598,774
Total assets	\$1,622,375	Total liabilities and net assets	\$1,622,375

**TRAVERSE CITY LIGHT & POWER
FIBER FUND
Schedule of Revenues & Expenses - Budget and Actual
For the Month Ended March 31, 2014**

	Current Month	Y-T-D Actual	Annual Budget	% of Budget
<u>Operating revenues:</u>				
Charges for services	\$ 19,350	\$ 172,940	\$ 229,000	75.5%
Total operating revenues	19,350	172,940	229,000	75.5%
<u>Operating expenses:</u>				
Office & operating supplies	-	1,178	2,000	58.9%
Supervision & maintenance	8,445	50,786	41,000	123.9%
Overhead & underground lines	553	12,450	16,000	77.8%
Customer installations	471	471	6,500	7.2%
Termination boxes	490	18,008	16,500	109.1%
Tools	-	-	150	0.0%
Professional & Contractual Svcs.	-	1,065	-	---
Legal Services	-	3,655	-	---
City fee	-	-	10,100	0.0%
Professional development	-	-	2,150	0.0%
Insurance	76	564	1,000	56.4%
Repairs and Maintenance	-	-	500	0.0%
Depreciation expense	7,269	65,417	87,600	74.7%
Total operating expenses	17,304	153,594	183,500	83.7%
Operating income/(loss)	2,046	19,346	45,500	42.5%
<u>Non-operating revenues:</u>				
Reimbursements	-	19,628	18,000	109.0%
Net income	\$ 2,046	\$ 38,974	\$ 63,500	61.4%