

A REGULAR MEETING

Of The

TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

TUESDAY, October 14, 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: 10-10-14
9:00 a.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 August 12, 2014. (Approval recommended) (p. 4)
- b. Receive and File minutes of the Energy Optimization Plan Ad Hoc Committee Meeting of August 27, 2014. (Approval recommended) (p. 8)
- c. Consideration of declaring asset surplus. (Myers-Beman) (p. 9)
- d. Consideration of industrial customer payment arrangement. (Arends/Myers-Beman) (p. 10)

Items Removed from the Consent Calendar

- a.

3. Unfinished Business

None.

4. New Business

None.

5. Appointments

None.

6. Reports and Communications

- a. From Legal Counsel.
- b. From Staff.

1. Presentation of West Side Transmission Line Upgrade Options. (Arends) (p. 13)

2. Presentation of TCL&P's new Communications Strategy. (Wheaton/Schroeder)
(p. 44)
 3. Major project's summary report and update. (Arends) (p. 48)
 4. Report on the residential LED Lighting Kit give-away. (Wheaton) (verbal)
- c. From Board.

7. Public Comment

/st

**TRAVERSE CITY
LIGHT AND POWER BOARD**

Minutes of Regular Meeting
Held at 5:15 p.m., Commission Chambers, Governmental Center
Tuesday, August 12, 2014

Board Members -

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

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.

As requested by Carruthers, Agenda Items 2(b)1 and 2(b)2 were removed from the Consent Calendar for full discussion.

Item 2 on the Agenda being Consent Calendar

Moved by Carruthers, seconded by McGuire, 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 July 22, 2014.
- b. *Removed from Consent Calendar.*
- c. Wi-Fi Power and Space Agreement.

CARRIED unanimously.

Items Removed from the Consent Calendar

- a. Consideration of approving amended Board Polices:
 1. Private Use of Public Property.

The following individuals addressed the Board:

Tim Arends, Executive Director
Jered Ottenwess, City Manager
Kelli Schroeder, Manager of Human Resources & Communications

5:19 p.m. Bob Spence joined the meeting.

Moved by McGuire, seconded by Geht, that the Board adopts the amended Private Use of Public Property Policy as presented with an immediate effective date.

CARRIED unanimously.

b. Consideration of approving amended Board Policies:

2. Volunteer Work, Use of Department Equipment Property.

Moved by Budros, seconded by Palisin, that the Board adopts the amended Volunteer Work, Use of Department Equipment, and Public Relations Projects Policy as presented with an immediate effective date.

CARRIED unanimously.

Item 3 on the Agenda being Unfinished Business

Vice Chairman Geht announced he would recuse himself from the discussion and vote regarding agenda item 3a.

a. Consideration of Heritage M-72 Wind Turbine Counterproposal.

The following individuals addressed the Board:

Tim Arends, Executive Director

Jessica Wheaton, Manager of Energy Services & Key Accounts

Moved by Budros, seconded by Spence, that the Board's action at its July 22, 2014 meeting related to the M-72 Wind Turbine sale be rescinded and 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.

CARRIED unanimously. (Geht abstained)

Item 4 on the Agenda being New Business

a. Consideration of approving Employment of Relatives Policy.

The following individuals addressed the Board:

Kelli Schroeder, Manager of Human Resources & Communications

Tim Arends, Executive Director

Jered Ottenwess, City Manager

Moved by McGuire, seconded by Geht, that the Board adopts the Employment of Relatives Policy as amended with an immediate effective date.

b. Consideration of awarding bid for Building B addition.

The following individuals addressed the Board:

Tim Arends, Executive Director

Spence announced he would recuse himself from the vote regarding agenda item 4b.

Moved by Palisin, seconded by Budros, that the Board authorizes the Chairman and Secretary to enter into a contract between TCL&P (owner) and Hallmark Construction (contractor) in the

lump sum total amount of \$267,029 for Hastings Street Building B Expansion project; subject to approval as to substance by the Executive Director and as to form by General Counsel; and further authorizes the Executive Director to administer amendments and change orders that are in the best interest of the utility.

CARRIED unanimously. (Spence abstained)

- c. Consideration of authorizing a Pole Attachment License Agreement with Extenet Systems, Inc.

The following individuals addressed the Board:

Karla Myers-Beman, Controller
Blake Wilson, System Engineer

Moved by Budros, seconded by McGuire, that the Board authorizes the Secretary and Chairman to execute a Pole Attachment License Agreement with Extenet for the installation of fiber on Traverse City Light & Power poles per the requirements of the Agreement as presented, subject to approval as to substance by the Executive Director and as to form by General Counsel.

CARRIED unanimously.

Item 5 on the Agenda being Appointments

- a. Consideration of establishing an Energy Optimization Ad Hoc Committee.

The following individuals addressed the Board:

Tim Arends, Executive Director

Chairman Taylor announced he would be a member of this committee and asked for additional volunteers. Both Jeff Palisin and Pat McGuire volunteered to join the ad hoc committee.

Moved by Budros, seconded by Geht, that the Board form an ad hoc committee to address energy optimization planning and that the committee consist of Chairman Taylor, Pat McGuire and Jeff Palisin, with the intent to assess proposals and vet consultants.

CARRIED unanimously.

Item 6 on the Agenda being Reports and Communications

- a. From Legal Counsel.

None.

- b. From Staff.

1. Tim Arends spoke regarding the future power supply planning process.
2. Tim Arends and staff provided an update regarding the Strategic Plan.

The following individuals addressed the Board:

Jessica Wheaton, Manager of Energy Services & Key Accounts
Scott Menhart, Manager of Telecom & Technology
Kelli Schroeder, Manager of Human Resources & Communications
Karla Myers-Beman, Controller

3. Tim Arends announced a meeting with the Traverse City/Garfield Join Recreational Authority to discuss the need for the West Transmission Line upgrade has been scheduled for Wednesday, August 13, 2014.
 4. Chairman Taylor proposed the cancelation of the August 26, 2014 Regular Board Meeting. It was the consensus of the Board to cancel.
- c. From Board.
1. Barbara Budros spoke regarding a proposal brought to her attention to purchase TCL&P. She has asked the City Commission to have a joint study session with the TCL&P Board to discuss the proposal, which has been scheduled for August 25, 2014.

Item 7 on the Agenda being Public Comment

No one from the public commented.

There being no objection, Chairman Taylor declared the meeting adjourned at 6:22 p.m.

/st

Tim Arends, Secretary
LIGHT AND POWER BOARD

**TRAVERSE CITY
LIGHT AND POWER BOARD**

Minutes

Energy Optimization Plan Ad Hoc Committee

Held at 12:00 p.m., TCL&P Service Center

Wednesday, August 27, 2014

Committee Members -

Present: Pat McGuire, Jeff Palisin, John Taylor

Absent: None

Others: Tim Arends, Jessica Wheaton

The meeting was called to order at 12:00 p.m.

1. Review of Request for Proposal.

Committee members and staff reviewed the RFP and discussed the process.

2. Public Comment

No one from the public commented.

There being no objection, Committee Chairman Taylor declared the meeting adjourned at 12:55 p.m.

/st

John Taylor, Chairman
LIGHT AND POWER BOARD



To: Light and Power Board
From: Karla Myers-Beman, Controller *KMB*
Date: October 6, 2014
Subject: Declaring Asset Surplus

TCL&P has a Floor Scrubber Machine used to clean the floors in the Metering Garage and in Building B that is at the end of its useful life. Management has solicited bids to replace the machine and has subsequently issued a purchase order for the replacement, which was within the Executive Director's spending authority. Coincidentally, during this process staff requested from the bidders an amount they would be willing to purchase the current machine. Only one bidder provided a bid amount of \$500. Staff did not solicit bids outside of the bidders based on the current operational status of the machine and not being confident how long the current machine would be operational based on its current working conditions. Additionally, staff did not feel it would be beneficial to hold on to the machine until the next City auction, which may take place next summer.

It is staff's recommendation to accept the bid amount of \$500 for the current Floor Scrubber Machine and to declare the asset surplus in accordance with TCL&P's Capital Asset Policy. This item is on the Consent Calendar as it is deemed non-controversial. 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 "Items Removed from the Consent Calendar" portion of the agenda for full discussion. If after Board discussion you agree with staff's recommendation the following motion would be appropriate:

MOVED BY _____, SECONDED BY _____,

**THAT THE BOARD DECLARES THE FLOOR SCRUBBER MACHINE SURPLUS AND
ACCEPT THE SALE BID AMOUNT OF \$500.**



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Jessica Wheaton, Manager of Energy Services & Key Accounts
Date: October 6, 2014
Subject: Customer Partial Payment Agreement

In an effort to assist one of Traverse City Light & Power's (TCL&P) key account customers prepare for the increasing cost of electricity, TCL&P staff, with the assistance of legal counsel, has put together the following Customer Partial Payment Agreement.

TCL&P staff has met with Century Sun Metal Treating twice over the past couple months to discuss the recent rate increase and the increasing Power Service Cost Recovery (PSCR) charge. These increases, although more so the PSCR, are negatively impacting the customer's cash flow when they had not anticipated or budgeted for such an increase.

To assist Century Sun Metal Treating, TCL&P is proposing that for the next three months, beginning with the October 2014 billing, the utility would provide a credit on their bill equal to the difference between the actual PSCR charge and the capped PSCR that the TCL&P Board removed in October 2013. The credit would be calculated based on their prior year's bill from October 2013 through June 2014. The total amount would be \$233,691.65 and would be evenly dispersed over a three month period in amounts of \$77,897.22. Beginning in January 2015, Century Sun Metal Treating would begin repaying the credit to TCL&P over a twelve month timeframe, interest free, in the amount of \$19,474.30 per month.

In line with multiple Strategic Plan goals and objectives including, developing an improved key accounts program and maintaining a high customer satisfaction rating, staff recommends the approval of the Customer Partial Payment Agreement. This item is on the Consent Calendar as it is deemed non-controversial. 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 "Items Removed from the Consent Calendar" portion of the agenda for full discussion. 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 EXECUTIVE DIRECTOR TO EXECUTE THE
CUSTOMER PARTIAL PAYMENT AGREEMENT WITH CENTURY SUN METAL
TREATING.**

TRAVERSE CITY LIGHT AND POWER DEPARTMENT
CUSTOMER PARTIAL PAYMENT AGREEMENT

On this this ____ day of _____, 2014, the **Traverse City Light and Power Department (TCL&P)**, whose address is 1131 Hastings Street, Traverse City, Michigan 49686, and **Century, Inc., d/b/a Century Sun Metal Treating, Inc.** (Customer), whose address is 2411 W. Aero Park Court, Traverse City, Michigan 49686-9180, hereby enter into this Agreement.

WHEREAS, TCL&P recently uncapped its Power Service Cost Recovery as a direct result of increased purchased power costs; and

WHEREAS, the Customer was not able to budget for this increase and has negatively impacted the Customer's cash flow as a result of the increase; and

WHEREAS, municipal electric charges are secured by a statutory lien on the real property served pursuant to MCL 141.121;

NOW THEREFORE, the parties agree as follows:

1. For the October, November and December 2014 Customer electric bills, TCL&P shall accept and the Customer shall pay their electric bill less the amount as shown on Schedule A attached hereto and incorporated here by reference. Billings and payments shall be subject to all other TCL&P policies and deadlines.

2. Beginning with the January 2015 TCL&P electric bill, the Customer shall pay TCL&P the total of all unpaid amounts for the October, November and December 2014 billings. Such payment shall be subject to the following terms:

- a. Payments shall be amortized over 12 months, January through December 2015, inclusive.
- b. Payments shall be made in 12 installments as shown on Schedule A.
- c. No interest shall be charged during these 12 months if timely payments are made.
- d. Two percent (2%) interest shall be charged on all delinquent payments per the City of Traverse City and TCL&P Utility Customer Service Practices, Policies, and Procedures.
- e. Payments shall be due on the same time and terms as the monthly electric bills in 2015.
- f. In addition to the above payments, Customer shall timely pay in full its TCL&P electric bills beginning January 2015.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the date and year first above written.

TRAVERSE CITY LIGHT AND
POWER DEPARTMENT (TCL&P)

CENTURY, INC., D/B/A
CENTURY SUN METAL
TREATING, INC. (Customer)

By: Timothy J. Arends
Its: Executive Director

By: Jeff McMullen
Its: President & CEO

TRAVERSE CITY LIGHT AND POWER DEPARTMENT
CUSTOMER PARTIAL PAYMENT AGREEMENT

SCHEDULE A

Bill Reduction Schedule

October 2014	\$ 77,897.22
November 2014	\$ 77,897.22
<u>December 2014</u>	<u>\$ 77,897.22</u>
Total	\$233,691.65

Repayment Schedule

January 2015	\$ 19,474.30
February 2015	\$ 19,474.30
March 2015	\$ 19,474.30
April 2015	\$ 19,474.30
May 2015	\$ 19,474.30
June 2015	\$ 19,474.30
July 2015	\$ 19,474.30
August 2015	\$ 19,474.30
September 2015	\$ 19,474.30
October 2015	\$ 19,474.30
November 2015	\$ 19,474.30
<u>December 2015</u>	<u>\$ 19,474.35</u>
Total	\$233,691.65



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tim Arends, Executive Director
Date: October 7, 2014
Subject: West Side Transmission Line Upgrade Options

Through this year's budget process the Traverse City Light & Power Board (Board) approved in its Six-Year Capital Plan (Plan) the upgrade of the West Side Transmission Line (LINE) that connects the Gray Transmission Substation to the Hall Street Distribution Substation in Traverse City. The City Planning Commission approved the Plan with the caveat that the utility look at alternatives to upgrading the LINE in its current location. As well, the City Commission authorized the Board to formally approve, which it subsequently did, the Plan with a request that the utility approach the decision on where/how to upgrade the LINE while taking a sensitive approach through the decision making process with the parties being impacted by the project.

With this direction, utility staff prepared a process to assist the Board in reaching a decision that included engagement/input of the Slabtown Neighborhood Association (Wayne Street), Garfield/Traverse City Joint Recreational Authority (Hickory Meadows), and the City of Traverse City (Hickory Hills). This involved meetings with the above groups explaining the decision making process and informing them of the different opportunities to gather their input. Also, subsequent meetings were held with these groups to discuss the need for the upgrade, along with soliciting their preferred option to simply upgrading the LINE in its current location.

The final steps in the process to be presented to the Board in October include the history of the project, the results of the meetings with the affected parties, and the different options and their associated cost estimates. The final meeting on October 28 was to consist of a staff recommendation with a project authorization request. Construction would be in 2015 or 2016 depending on the option selected by the Board.

The following are the results of the process described above for the Board's information and consideration:

PROJECT HISTORY:

The LINE was constructed in 1959, two years after Hickory Hills Ski Area was created. It runs from the Hall Street Substation along Bay Street (undergrounded in 2011 to Division Street), up Wayne Street and through Hickory Meadows and Hickory Hills Ski Area to Barney Road and along Gray Road to the Gray Substation. The LINE was built to 1959 electrical standards which have since changed over the last 55 years. The useful life of a transmission line is about 35 to 40

FOR THE LIGHT & POWER BOARD MEETING OF OCTOBER 14, 2014

years. All of the poles, with a few exceptions, and the conductor are original.

Upgrade of the LINE was originally discussed in coordination with the decision by the utility to co-own the Gray Transmission Substation with Wolverine Power Supply Cooperative (Cherryland Electric's energy supplier). The construction of the substation was completed in 2007-2008 with Traverse City Light & Power (TCL&P) investing more than \$3 Million in the project, with the understanding that the utility would share in all future costs of maintaining the substation. However, the public process in presenting and gaining authorization to upgrade the LINE failed and the utility subsequently discontinued its consideration and removed the project from its Plan. Upgrading the LINE from the Gray Substation to the Hall Street Substation is required to take full advantage of that investment.

In 2010, the utility again included the project to upgrade the LINE in its Plan. The public input process was improved and discussions were held with the impacted parties. Several options were studied by the utility and presented to the Board and public. The Board indicated a "preference" for relocating the LINE to the M-72 corridor and subsequently approved engineering services for its design and construction. However, there was some public opposition to this "preference" from people that lived in that area or those that drove into the City along that route. Following the initial approval, the Board, at its next meeting, concurred with staff's request to put that process on "hold" as it sought another solution with the construction of the East Hammond Substation and transmission line. The engineering services contract was never signed or authorized by the utility due to this change in plans, and the project again was removed from the Plan the subsequent year. This decision did nothing to address what to do with this aged 55 year old LINE and delayed that decision to a future date.

In 2014, the project was again incorporated into the Plan and approved as explained above. An engineering study was presented to the Board explaining the need to upgrade the LINE and the benefits it created for the utility in a "single contingency" event. The reliability of TCL&P's transmission system would be much improved by creating a fully looped system to allow for continuous service in the event a single transmission circuit was to be out of service, for whatever reason. The reason for upgrading the LINE in 2014 was different than what was sought in 2010 as the utility was not considering a fully looped system at that time. The Board concurred with the engineering study and gave staff direction to proceed with the process of coming to a decision on how and where to upgrade the LINE.

It is important to note in this history section the frustration of those impacted by this project. The on-again, off-again process taken by the utility has been a point of contention. The Slabtown Neighborhood Association thought this issue was resolved in 2010. Many members of the Association have devoted countless hours to this issue over the years. Supporters of Hickory Meadows are also very concerned about the project as they have stated their mission is to "preserve and protect the nature preserve for the benefit of the public." All parties have been passionate, respectful and engaged in this current process to a decision; they also understand and agree that the "do-nothing" option is not viable for the safety and reliability of TCL&P's electric system. The utility (I) promised to bring this issue to an ultimate conclusion this year.

SLABTOWN NEIGHBORHOOD ASSOCIATION MEETINGS:

Two meetings were held between the utility and the Association. The first meeting was to describe the engagement process to a decision and indicate the many opportunities for public input and discussion. The second meeting held in July was for TCL&P to explain the need and to seek a desired alternative that would be cost estimated by the utility for the Board's consideration. About 25 members of the Association attended the second meeting, along with two TCL&P Board members. There was considerable discussion about whether the LINE was needed by the utility and some confusion about whether the Board gave its direction for staff to proceed with upgrading the LINE. The Board members confirmed that they did give staff that direction.

While various options were discussed as an alternative to upgrading the LINE overhead in its current location, the consensus of the group was to not seek undergrounding of the LINE along Wayne Street but to move the LINE to a major corridor along M-72 and along Bay Street. One member was interested in undergrounding the LINE regardless of its location. The group felt that this was a once-in-a-lifetime opportunity to move the LINE out of the residential and park areas.

RECREATIONAL AUTHORITY BOARD MEETINGS:

As with the Neighborhood Association, TCL&P had two meetings with the Authority Board to discuss the process and seek input. The second meeting consisted of a presentation by GRP Engineering to fully explain the need for upgrading the LINE and what the utility was trying to accomplish. The preferred option was to relocate the LINE to the M-72 corridor as the best solution for the Authority; however, undergrounding the LINE through the Meadows would be an acceptable alternative. It was explained that while undergrounding the LINE would remove the overhead structures, the easement would still have to be maintained to allow access to the underground circuit. Also, it was explained that it would not be possible to underground through the Meadows unless the LINE was also underground along Wayne Street.

Other options were discussed such as relocating the LINE along the perimeter of the Meadows property and it was ultimately concluded that these options would cause considerable tree clearing and cause the LINE to be even more obtrusive to the area.

CITY OF TRAVERSE CITY – HICKORY HILLS SKI AREA:

An on-site walk through was conducted by the utility and city officials (including Commissioner Werner) to view the transmission corridor and discuss options for relocating the LINE if the Board selected the option to upgrade overhead in-place. Two different routes were seriously discussed and it was the consensus of all involved, after Commissioner Werner reviewed the routes with the Ski Club, to keep the LINE in its existing right of way with a slight relocation to the south on one ski run. This would also involve installing a few laminated poles to eliminate guying requirements for improved skier safety. Moving to the south would also allow for a future upgrade to the existing tow rope lift as identified in the approved Master Plan.

OPTIONS:

As identified at the beginning of this process, the utility conducted final engineering and design for upgrading the LINE overhead in its current location. The reason for this was not to predetermine that would be the preference of the Board, but to create a baseline cost, or minimum dollar amount to achieve the benefits of an upgrade.

Based on the meetings described above, the utility also engaged GRP Engineering to provide cost estimates for relocating the LINE to the M-72 corridor and along Bay Street to Division Street. In addition, GRP provided a cost estimate for the slight modification of the pole centerline through the Hickory Hills Ski Area.

Costs for undergrounding the LINE were not provided as that was not a desired alternative for the Slabtown Neighborhood Association. The utility does have approximate estimates for the cost of undergrounding the LINE based on the actual costs to underground a portion of the LINE along Bay Street.

FINANCIAL INFORMATION WITH PROS AND CONS (in red) OF THE OPTIONS:

Upgrading the LINE overhead in its current location:

- The estimated cost to upgrade the line along its current centerline is **\$1,498,616**. This amount includes a contingency amount of \$180,000 for unforeseen issues related to its construction.
- This would be the minimum cost to the utility to improve the safety of the LINE and provide the benefits desired in upgrading the LINE to current day standards.
- **Upgrading the LINE in its current location overhead is the least desired option of the various interested parties as they prefer relocation of the LINE to the M-72 corridor.**
- The project could be constructed in 2015 with final engineer/design and bidding of the project to occur over the winter with a spring construction start.
- **Conductor size will increase by a little less than ½" in diameter. Pole height will increase by 4' to 5'.**
- **Through the Wayne Street "Narrows" the easement is only 10' which would require double circuiting along the road right of way in some areas and eliminate guying outside that easement area which could alter the pole type needed on certain properties.**
- Voltage remains the same at 69KV; however, increased conductor size enables more amperage to carry the full load required by the system.
- **Significant tree growth has occurred in the transmission corridor throughout the Hickory Meadows and Hickory Hills Ski Area which would have to be cleared for construction. Currently, that corridor is impassable by utility vehicles should repairs to the line be needed. While the utility has a 100' easement through the park areas only about 70' of the easement would need clearing for required maintenance.**

FOR THE LIGHT & POWER BOARD MEETING OF OCTOBER 14, 2014

Upgrading the LINE overhead in its current location with relocation in the Hickory Hills Area:

- The estimated additional cost to slightly modify the LINE through the Ski Area is **\$166,995**. The total estimated cost for this option is **\$1,665,311**.
- **Does not provide the preferred option to completely remove the LINE from this recreational area.**
- This option, if the Board elects to upgrade the LINE in its current location, will improve skier safety by eliminating guying at the foot of a ski run.
- Allows for the future upgrade of a tow line that is currently directly beneath the existing LINE.
- Voltage remains the same at 69KV.

Relocating the LINE to the M-72 corridor and along Bay Street to Division Street:

- The estimated additional cost to relocate the LINE to the M-72 corridor is **\$927,600**. The total estimated cost for this option is **\$2,426,216**. This includes the estimated \$85,000 cost to remove the transmission line from its current location.
- Provides the favored alternative to move the LINE to a major corridor for the Slabtown Neighborhood Association, Hickory Meadows, and Hickory Hills.
- Achieves the desired results of upgrading the LINE to current day standards to improve system reliability and safety.
- **Delays project construction until 2016 as permitting/easements, and final design are required.**
- **Pole heights along Bay Street will go from 50' to 95' to allow for the creation of a single pole line to carry transmission and distribution services for two utilities.**
- **Pole heights along M-72 could reach as high as 105' in certain areas due to the terrain.**
- **Guying along M-72 in certain areas will be difficult and require easements from private property owners.**
- **A large steel pole will be needed at the M-72/M-22 intersection due to the 90° turn required.**
- Creates one pole line along Bay Street and portions of M-72 by joining two utilities into a common line.
- **Overhead lines will run in front of major developments where none exist today. Underground will not be possible unless the entire route is underground.**
- **TCL&P loses its several hundred thousand dollar investment in the upgrade already done from the Gray Substation exit to the junction at Gray and Barney Roads.**
- **Permitting/easements from the FAA, Elmwood Township, City of Traverse City and MDOT would be required and are not guaranteed.**
- Voltage remains the same at 69KV.
- **Anticipated public opposition to this option due to the considerable height of the poles through this scenic entrance to the city, and constructing overhead structures where none presently exist.**

MIDCONTINENT INDEPENDENT SYSTEM OPERATOR (MISO):

Several years ago the voters of Traverse City approved dedicating the TCL&P transmission system to MISO for its oversight and control of that system. This action allows the utility to be reimbursed for operation and maintenance of the system, as well as reimbursement for capital projects related to its upgrade for reliability purposes.

In 2010, upgrade of the LINE was listed as an approved reimbursable project within MISO. When the utility sought to build the East Hammond Substation and transmission line in favor of upgrading the LINE, MISO approved that action and the West Transmission Line Upgrade Project was subsequently removed. With this proposed project in 2014, a different purpose for TCL&P is created than the upgrade in 2010 and the utility has worked with Michigan Public Power Agency (MPPA) and GRP Engineering to once again place the project on the MISO construction list for reimbursement.

Failure to bring the LINE into compliance with current day standards and MISO requirements could cause MISO to “degrade” the LINE and remove it from the dedicated system which would cause the utility to lose any reimbursement for its operation and maintenance. It has been disclosed that upgrading the LINE does provide some benefits to other area utilities, as is supported by the attached letter from Wolverine Power & Supply. The statement has been made that if other utilities are benefiting then they should pay for a portion of its upgrade regardless of where the LINE ends up. The result would be that other utilities pay if the project is approved by MISO. All ratepayers in the MISO footprint (continental Midwest) will be paying a portion of the project for reimbursement to TCL&P over an 8-10 year period. The reimbursement is reflected in TCL&P’s financial statements as MISO Revenue.

While it is anticipated that MISO will approve the project for reimbursement, that decision will not be made until spring. Typically, projects of this magnitude are approved unless objected to by other utilities. Since support has already been garnered by the other area utilities I do not see any reason why this project would not be approved. If not approved by MISO, the utility would still have the right to upgrade the LINE as it owns the system, but would not be reimbursed for the cost of the upgrade. If the utility relocates the LINE at a higher price than upgrading in place, MISO, at its discretion, may decide to only approve the cost for the project as if it was upgraded in place.

SUMMARY:

As promised, the utility has taken a very careful and thoughtful approach to this project that involved and engaged the parties that are directly impacted. Meetings were held with various groups, a bill insert was created for all owners’ and ratepayers’ information. A direct mailing was sent to the Slabtown Neighborhood residents and the Recreational Authority (via its Director).

There are economic impacts and community impacts for any utility infrastructure project. The Board is charged with weighing the pros and cons of the alternatives for this project and making the best decision for all utility customers and owners of the utility that includes the economic and

FOR THE LIGHT & POWER BOARD MEETING OF OCTOBER 14, 2014

community impacts for all TCL&P customers. At your next meeting on October 28 staff will provide the Board with a recommendation and a project authorization request for its consideration.

As this agenda item is a staff report, no final decision or vote will be made by the Board at this meeting on October 14. The purpose of this meeting is to provide all of the information staff has compiled relating to the project and to allow for discussion by the Board and public as to the implications of the options. I would encourage the Board to suspend its Board Rules when this item is introduced to allow the public to be more engaged than simply its public comment. If the public has specific questions then staff and the Board would be able to respond to those questions, if immediate answers are available. I believe for this important of an issue, and based on the project's history, interactive public discussion at the meeting would be a benefit to the utility and the community as a whole.

The utility has planned for a possible study session on October 21 to further discuss this issue and answer any remaining questions or receive additional public comment. Staff will be seeking direction from the Board on whether you would like to schedule that meeting due to any outstanding items that may have not been addressed to your or the public's satisfaction.

**TRAVERSE CITY LIGHT & POWER
GRAY ROAD TO HALL STREET TRANSMISSION LINE
REBUILD ALONG EXISTING CENTERLINE
CONSTRUCTION COST ESTIMATE**

ITEM	ITEM DESCRIPTION	UNITS	LABOR	MATERIAL	TOTAL	EXTENDED TOTAL
1	Poles	LS	\$104,000.00	\$283,950.00	\$387,950.00	\$387,950
2	Transmission Top Assemblies	LS	\$53,250.00	\$70,600.00	\$123,850.00	\$123,850
3	Distribution Top Assemblies	LS	\$11,825.00	\$8,135.00	\$19,960.00	\$19,960
4	Phase Conductor & OPTGW	LS	\$117,221.30	\$104,800.50	\$222,021.80	\$222,022
5	Guying & Anchoring	LS	\$34,670.00	\$17,385.00	\$52,055.00	\$52,055
6	Transformers/Secondaries/Services	LS	\$13,395.00	\$2,245.00	\$15,640.00	\$15,640
7	Grounding	LS	\$9,060.00	\$5,850.00	\$14,910.00	\$14,910
8	Distribution Transfers	LS	\$9,935.00	\$0.00	\$9,935.00	\$9,935
9	Miscellaneous Construction	LS	\$93,007.50	\$11,395.00	\$104,402.50	\$104,403
10	Tree Trimming	LS	\$50,000.00	\$0.00	\$50,000.00	\$50,000
11	Site Restoration	LS	\$25,000.00	\$2,500.00	\$27,500.00	\$27,500
12	Demolition & Removals	LS	\$97,391.72	\$0.00	\$97,391.72	\$97,392
13	Topographic Survey	LS	\$30,000.00	\$0.00	\$30,000.00	\$30,000
14	Soil Borings & Environmental	LS	\$2,000.00	\$0.00	\$2,000.00	\$2,000
15	Traffic Control & Signage	LS	\$22,000.00	\$0.00	\$22,000.00	\$22,000
16	Mobilization	LS	\$15,000.00	\$0.00	\$15,000.00	\$15,000
17	Insurance & Bonding	LS	\$4,000.00	\$0.00	\$4,000.00	\$4,000

Subtotal	\$1,198,616
Contingency (15%)	\$180,000
Design Engineering	\$120,000
Staking & Inspections	\$60,000
Total Estimated Construction Cost	\$1,498,616

Notes:

1. All costs are estimated as 2015 construction costs.
2. Cost estimate is based on rebuilding the existing 69kV transmission line from Gray Road to the Wayne & Division Street underground riser pole along the same centerline.
3. Cost estimate is based on traditional round wood pole construction.
4. The cost estimate submitted herein is based on time-honored practices within the construction industry. As such, the Engineer does not control the cost of labor, materials, equipment or a contractor's method of determining prices and competitive bidding practices or market conditions. The estimate contained represents our best judgement as design professionals using current information available at the time of preparation. The Engineer cannot guarantee that proposals, bids and/or construction costs will not vary from this cost estimate.

**TRAVERSE CITY LIGHT & POWER
GRAY ROAD TO HALL STREET TRANSMISSION LINE
REBUILD INCLUDING MINOR CENTERLINE REVISION & SELF-SUPPORTING POLES
CONSTRUCTION COST ESTIMATE**

ITEM	ITEM DESCRIPTION	UNITS	LABOR	MATERIAL	TOTAL	EXTENDED TOTAL
1	Poles	LS	\$99,700.00	\$270,250.00	\$369,950.00	\$369,950
2	Self-Supporting Laminated Wood Poles	LS	\$20,000.00	\$30,000.00	\$50,000.00	\$50,000
3	Self-Supporting Pole Foundations	LS	\$80,000.00	\$10,000.00	\$90,000.00	\$90,000
4	Transmission Top Assemblies	LS	\$53,250.00	\$70,600.00	\$123,850.00	\$123,850
5	Distribution Top Assemblies	LS	\$11,825.00	\$8,135.00	\$19,960.00	\$19,960
6	Phase Conductor & OPTGW	LS	\$117,221.30	\$104,800.50	\$222,021.80	\$222,022
7	Guying & Anchoring	LS	\$34,670.00	\$17,385.00	\$52,055.00	\$52,055
8	Transformers/Secondaries/Services	LS	\$13,395.00	\$2,245.00	\$15,640.00	\$15,640
9	Grounding	LS	\$7,755.00	\$5,850.00	\$13,605.00	\$13,605
10	Distribution Transfers	LS	\$9,935.00	\$0.00	\$9,935.00	\$9,935
11	Miscellaneous Construction	LS	\$93,007.50	\$11,395.00	\$104,402.50	\$104,403
12	Tree Trimming	LS	\$50,000.00	\$0.00	\$50,000.00	\$50,000
13	Site Restoration	LS	\$25,000.00	\$2,500.00	\$27,500.00	\$27,500
14	Demolition & Removals	LS	\$97,391.72	\$0.00	\$97,391.72	\$97,392
15	Topographic Survey	LS	\$30,000.00	\$0.00	\$30,000.00	\$30,000
16	Soil Borings & Environmental	LS	\$5,000.00	\$0.00	\$5,000.00	\$5,000
17	Traffic Control & Signage	LS	\$22,000.00	\$0.00	\$22,000.00	\$22,000
18	Mobilization	LS	\$25,000.00	\$0.00	\$25,000.00	\$25,000
19	Insurance & Bonding	LS	\$4,000.00	\$0.00	\$4,000.00	\$4,000

Subtotal	\$1,332,311
Contingency (15%)	\$200,000
Design Engineering	\$133,000
Staking & Inspections	\$67,000
Total Estimated Construction Cost	\$1,665,311

Notes:

1. All costs are estimated as 2015 construction costs.
2. Cost estimate is based on rebuilding the existing 69kV transmission line from Gray Road to the Wayne & Division Street underground riser pole along the same centerline with the exception of a minor revision within Hickory Hills.
3. Cost estimate is based on traditional round wood pole construction and self-supporting laminated wood structures at the base of the ski runs in Hickory Hills.
4. The cost estimate submitted herein is based on time-honored practices within the construction industry. As such, the Engineer does not control the cost of labor, materials, equipment or a contractor's method of determining prices and competitive bidding practices or market conditions. The estimate contained represents our best judgement as design professionals using current information available at the time of preparation. The Engineer cannot guarantee that proposals, bids and/or construction costs will not vary from this cost estimate.

**TRAVERSE CITY LIGHT & POWER
GRAY ROAD TO HALL STREET TRANSMISSION LINE
NEW CENTERLINE ALONG M-72 & BAY STREET
CONSTRUCTION COST ESTIMATE**

ITEM	ITEM DESCRIPTION	UNITS	LABOR	MATERIAL	TOTAL	EXTENDED TOTAL
1	Poles	LS	\$174,700.00	\$467,600.00	\$642,300.00	\$642,300
2	Self-Supporting Laminated Wood Poles	LS	\$10,000.00	\$15,000.00	\$25,000.00	\$25,000
3	Self-Supporting Pole Foundations	LS	\$40,000.00	\$5,000.00	\$45,000.00	\$45,000
4	Self-Supporting Steel Pole	LS	\$10,000.00	\$30,000.00	\$40,000.00	\$40,000
5	Self-Supporting Steel Pole Foundation	LS	\$30,000.00	\$10,000.00	\$40,000.00	\$40,000
6	Transmission Top Assemblies	LS	\$61,100.00	\$83,200.00	\$144,300.00	\$144,300
7	Distribution Top Assemblies	LS	\$35,600.00	\$23,355.00	\$58,955.00	\$58,955
8	Phase Conductor & OPTGW	LS	\$190,994.20	\$170,756.50	\$361,750.70	\$361,751
9	Guying & Anchoring	LS	\$120,310.00	\$51,400.00	\$171,710.00	\$171,710
10	Transformers/Secondaries/Services	LS	\$14,240.80	\$1,310.00	\$15,550.80	\$15,551
11	Grounding	LS	\$13,395.00	\$8,575.00	\$21,970.00	\$21,970
12	Distribution Transfers	LS	\$60,165.00	\$60.00	\$60,225.00	\$60,225
13	Miscellaneous Construction	LS	\$15,165.00	\$9,955.00	\$25,120.00	\$25,120
14	Tree Trimming	LS	\$22,000.00	\$0.00	\$22,000.00	\$22,000
15	Site Work (Removal & Restoration)	LS	\$16,000.00	\$4,000.00	\$20,000.00	\$20,000
16	Demolition & Removals	LS	\$120,334.50	\$0.00	\$120,334.50	\$120,335
17	Topographic Survey	LS	\$48,000.00	\$0.00	\$48,000.00	\$48,000
18	Soil Borings & Environmental	LS	\$6,000.00	\$0.00	\$6,000.00	\$6,000
19	Traffic Control & Signage	LS	\$35,000.00	\$0.00	\$35,000.00	\$35,000
20	Mobilization	LS	\$30,000.00	\$0.00	\$30,000.00	\$30,000
21	Insurance & Bonding	LS	\$8,000.00	\$0.00	\$8,000.00	\$8,000

Subtotal	\$1,941,216
Contingency (15%)	\$291,000
Design Engineering	\$194,000
Staking & Inspections	\$97,000
Total Estimated Construction Cost	\$2,426,216

Notes:

1. All costs are estimated as 2015 construction costs.
2. Cost estimate is based on rebuilding the existing Gray Road to Hall Street 69kV transmission line along a new centerline on M-72 from Gray Road to a new riser pole at Bay Street & Division.
3. Cost estimate is based on traditional round wood with limited steel and laminated pole construction.
4. Includes estimated costs for Cherryland Electric Cooperative & Consumers Energy distribution line transfer work.
5. No costs for easement acquisition are included in the estimate.
6. The cost estimate submitted herein is based on time-honored practices within the construction industry. As such, the Engineer does not control the cost of labor, materials, equipment or a contractor's method of determining prices and competitive bidding practices or market conditions. The estimate contained represents our best judgement as design professionals using current information available at the time of preparation. The Engineer cannot guarantee that proposals, bids and/or construction costs will not vary from this cost estimate.



WOLVERINE
POWER COOPERATIVE

May 5, 2014

ERIC D. BAKER
President/CEO

John Taylor
Chairman of the Board
Traverse City Light & Power
1131 Hastings Street
Traverse City, MI 49686

Tim Arends
Director
Traverse City Light & Power
1131 Hastings Street
Traverse City, MI 49686

Dear Messrs. Taylor and Arends:

I am writing to express Wolverine Power Cooperative's support for the Traverse City Light & Power (TCL&P) proposed project to rebuild the Gray Rd – Hall Street transmission line. This project was contemplated nearly a decade ago and is required to meet area reliability needs. This project will impact positively the reliability for customers of Traverse City Light & Power, Cherryland Electric and Consumers Energy.

Nearly a decade ago, TCLP and Wolverine jointly assessed and planned a series of projects to improve reliability in the Grand Traverse Region. During that process, the scope of the Gray Road project expanded to include a reliability benefit to Consumers Energy as well. The three step plan was significant but simple: Step 1, Interconnect the three transmission systems of Wolverine, TCL&P and ITC/METC at Gray Rd; Step 2, Wolverine would rebuild its transmission lines around Traverse City; Step 3, TCL&P would rebuild 4 miles of line between Gray Rd and Hall Street. Steps 1 and 2 were completed by 2010. Step 3 is the last important step.

Wolverine has rebuilt nearly 300 miles of 1950s vintage transmission line very similar to that of the existing TCL&P Gray Rd to Hall Street line. The new lines are capable of moving 4-8 times the amount of power, they are more energy efficient (due to lower line losses), and they have proven to withstand harsh Michigan storms. In fact, during three significant storms over the past year including 80+ mile per hour straight line wind storms, a massive ice storm and other significant weather events, Wolverine's new lines remained intact and energized, when old poles broke in the storms.

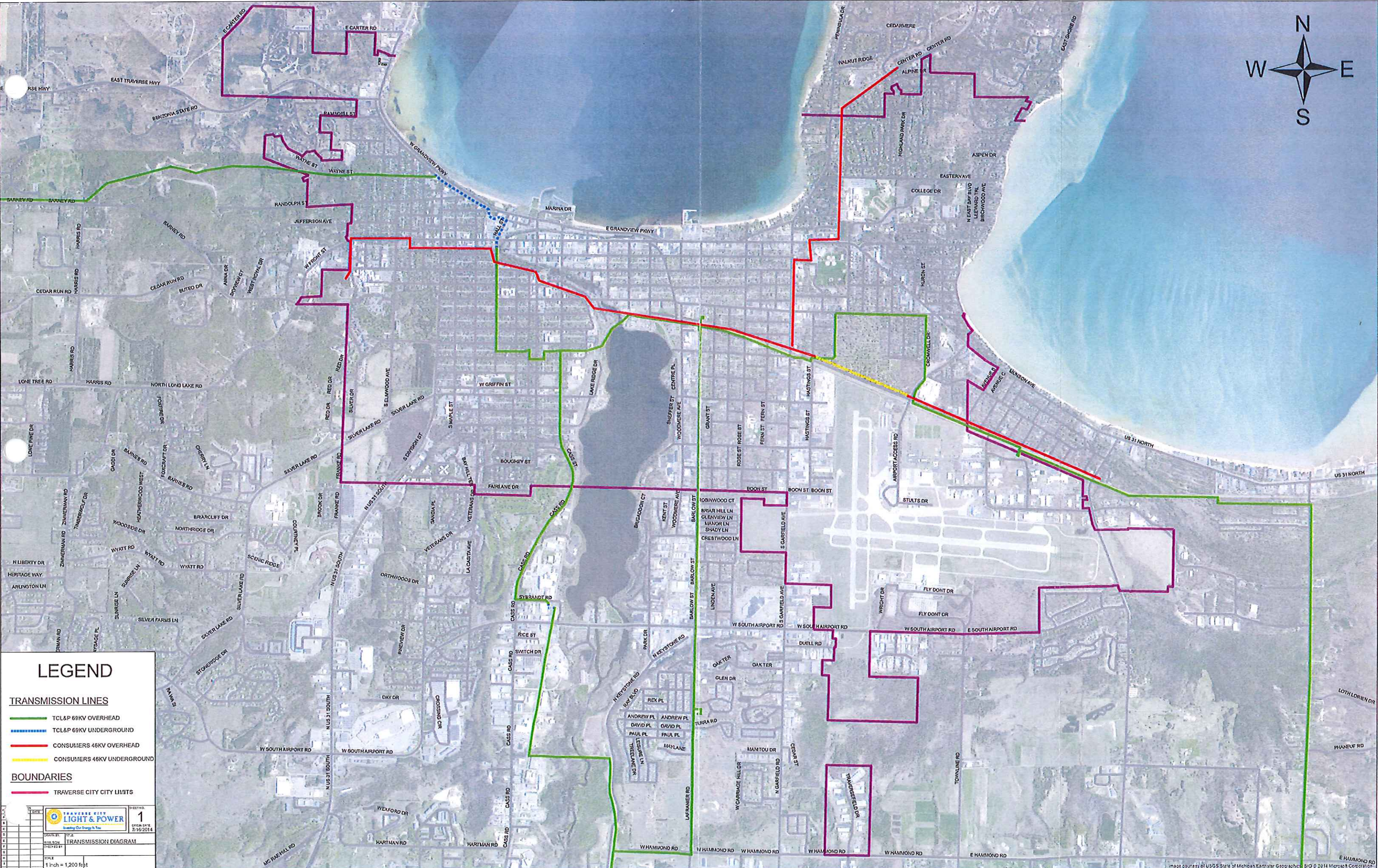
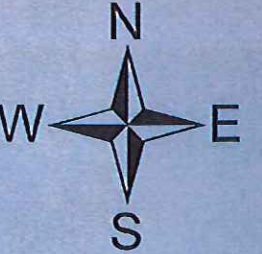
I applaud the TCL&P Board for taking on this last project to improve reliability for the entire Grand Traverse Region. I recognize the important local stakeholder viewpoints that have to be weighed and balanced when projects like this one are undertaken. I also recognize the ability of locally-owned public power companies to demonstrate leadership and long-term vision, and in this regard, I support your rebuild project.

Sincerely,



Eric D. Baker

cc: Tony Anderson, Cherryland Electric Cooperative



LEGEND

TRANSMISSION LINES

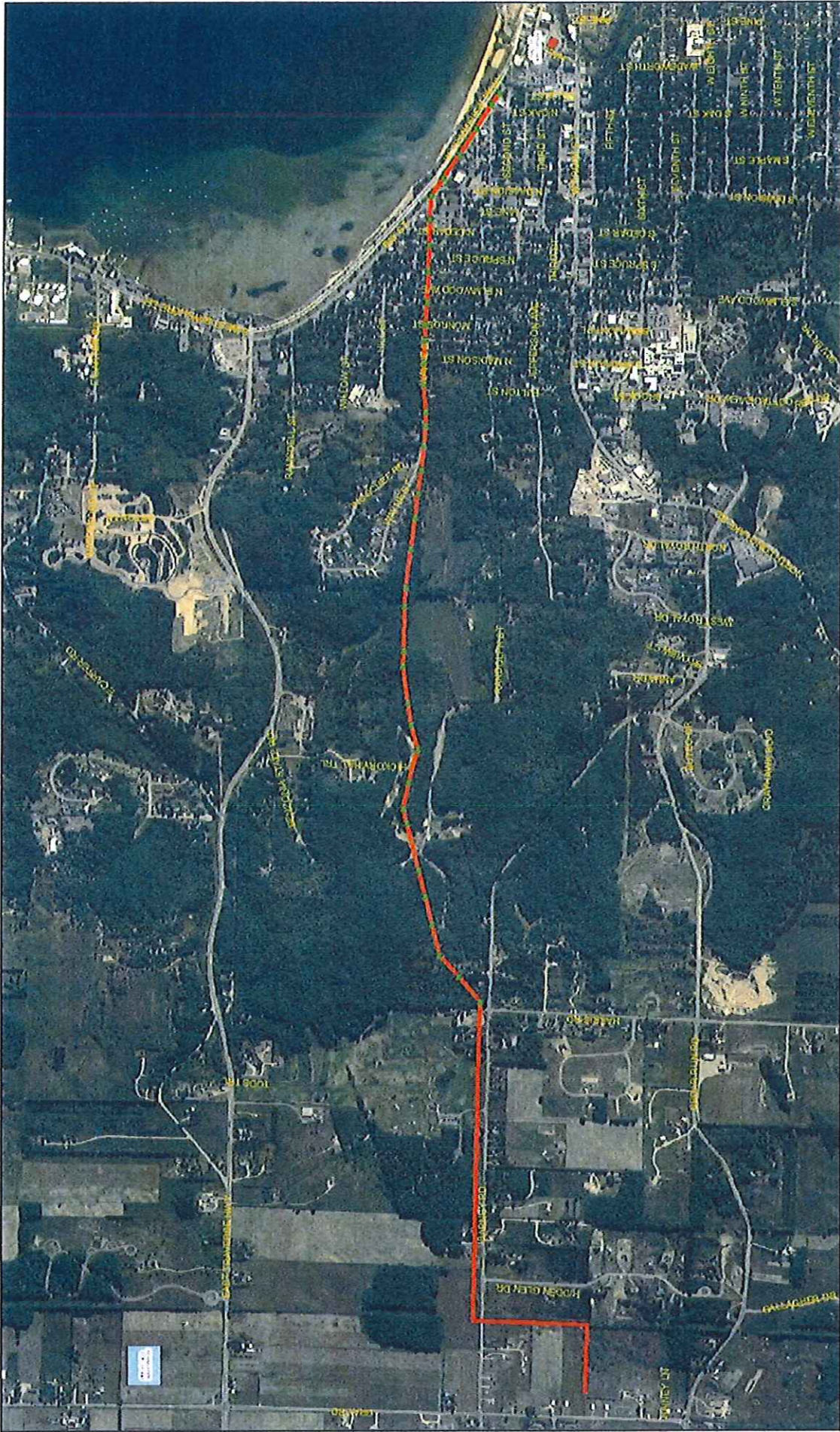
- TCL&P 69KV OVERHEAD
- TCL&P 69KV UNDERGROUND
- CONSUMERS 46KV OVERHEAD
- CONSUMERS 46KV UNDERGROUND

BOUNDARIES


- TRAVERSE CITY CITY LIMITS

SHEET NO. 1
 DATE 7/15/2014
 TRANSMISSION DIAGRAM
 SCALE 1 inch = 1,200 feet

Image courtesy of USGS State of Michigan Earthstar Geographics. © 2014 Microsoft Corporation



Route C - Existing Route Along Wayne St. and Bay St.


TENNESSEE LIGHT & POWER
 1 inch equals 1,100 feet

Legend
 Existing Route

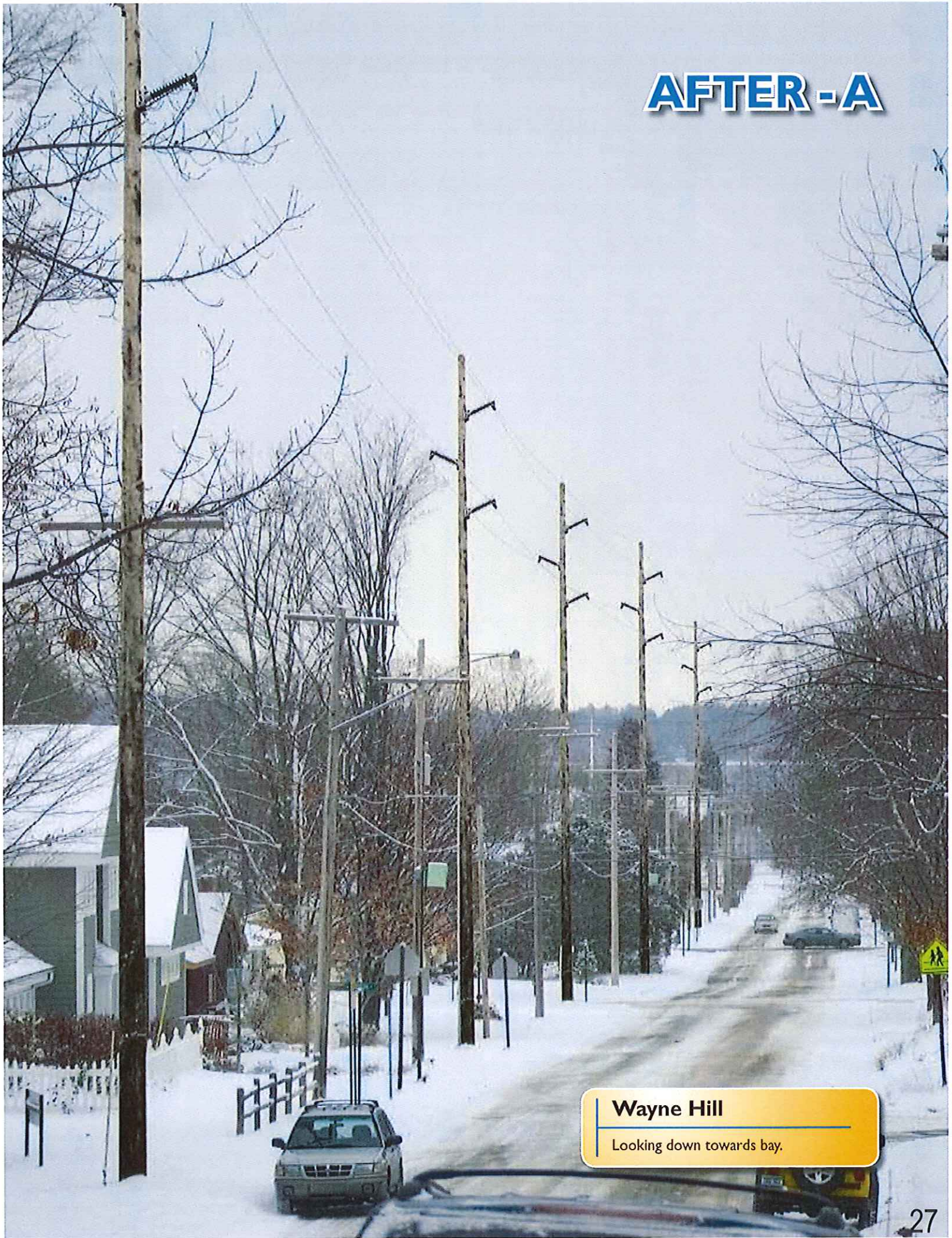
BEFORE



Wayne Hill

Looking down towards bay.

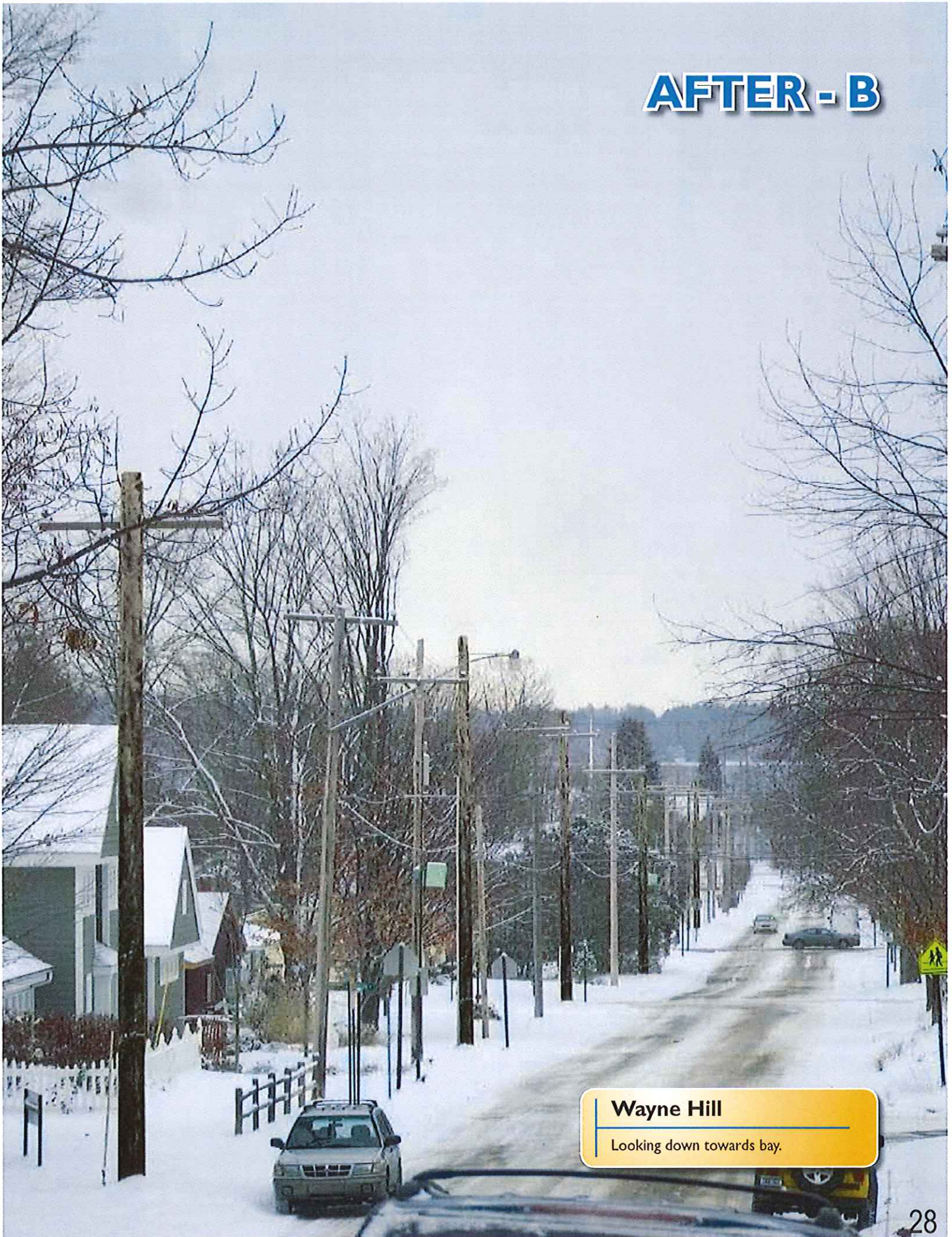
AFTER - A



Wayne Hill

Looking down towards bay.

AFTER - B



Wayne Hill

Looking down towards bay.

BEFORE



Wayne Hill Narrows

Facing down Wayne Hill

AFTER



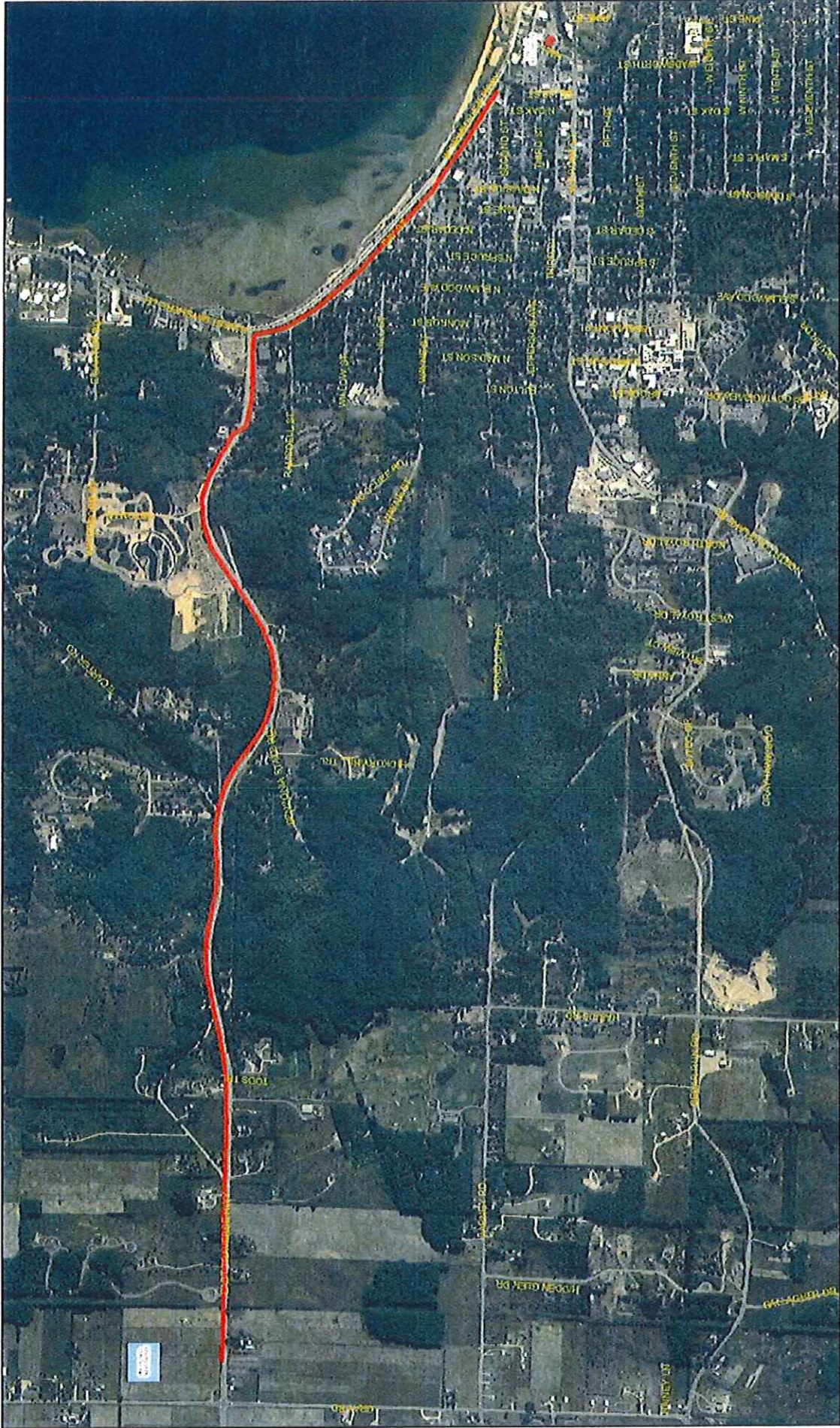
Wayne Hill Narrows
Facing down Wayne Hill



Barney Rd 69kV Line



[13]





 Jackson County
LIGHT & POWER
Light & Power

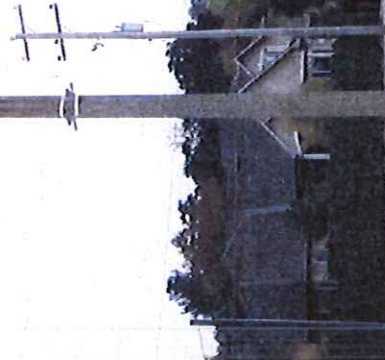


 1 inch equals 1,100 feet

Legend
 Proposed

Route B - Entire M72 Route and Bay St.

BEFORE



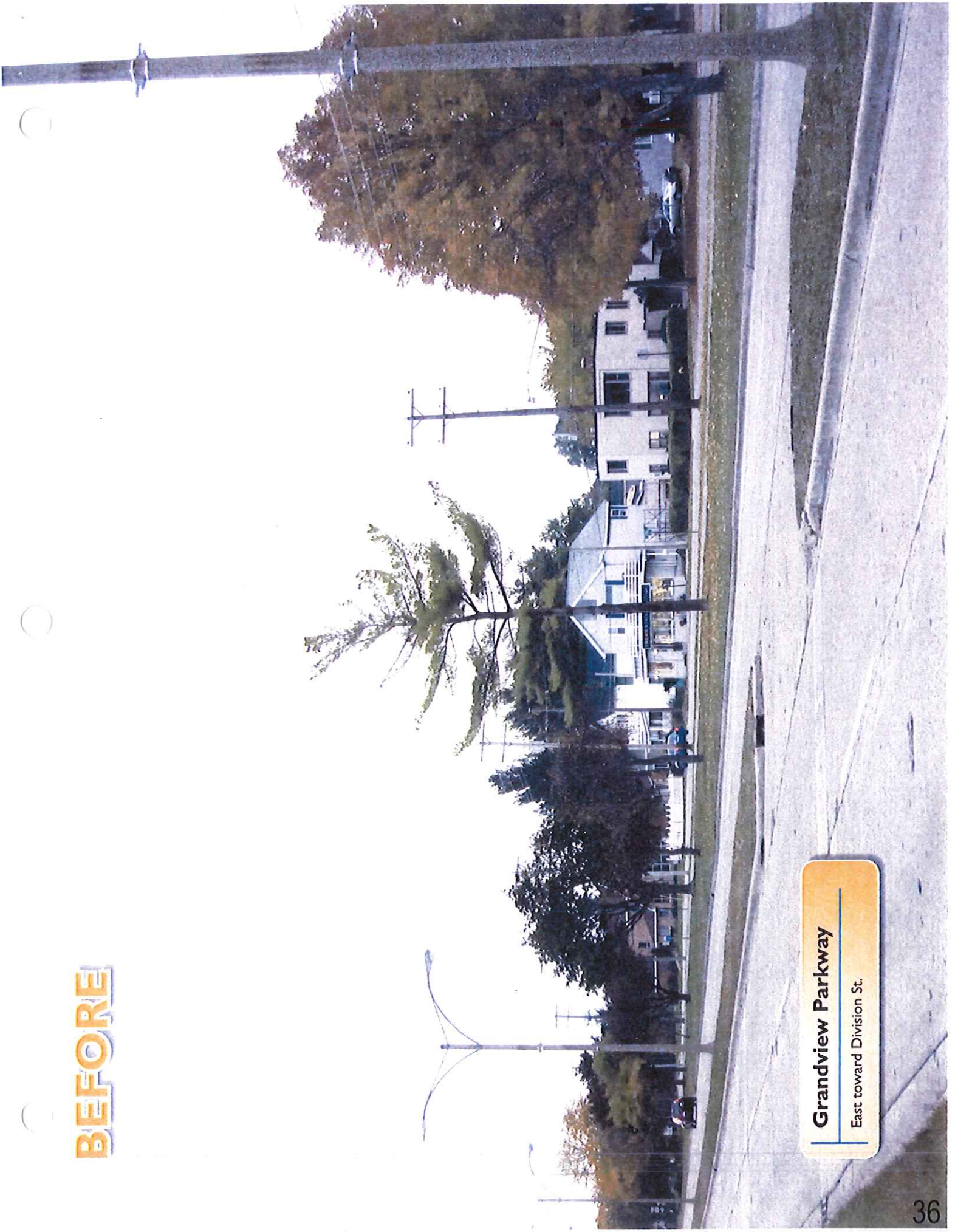
Grandview Parkway
West toward M-72

AFTER



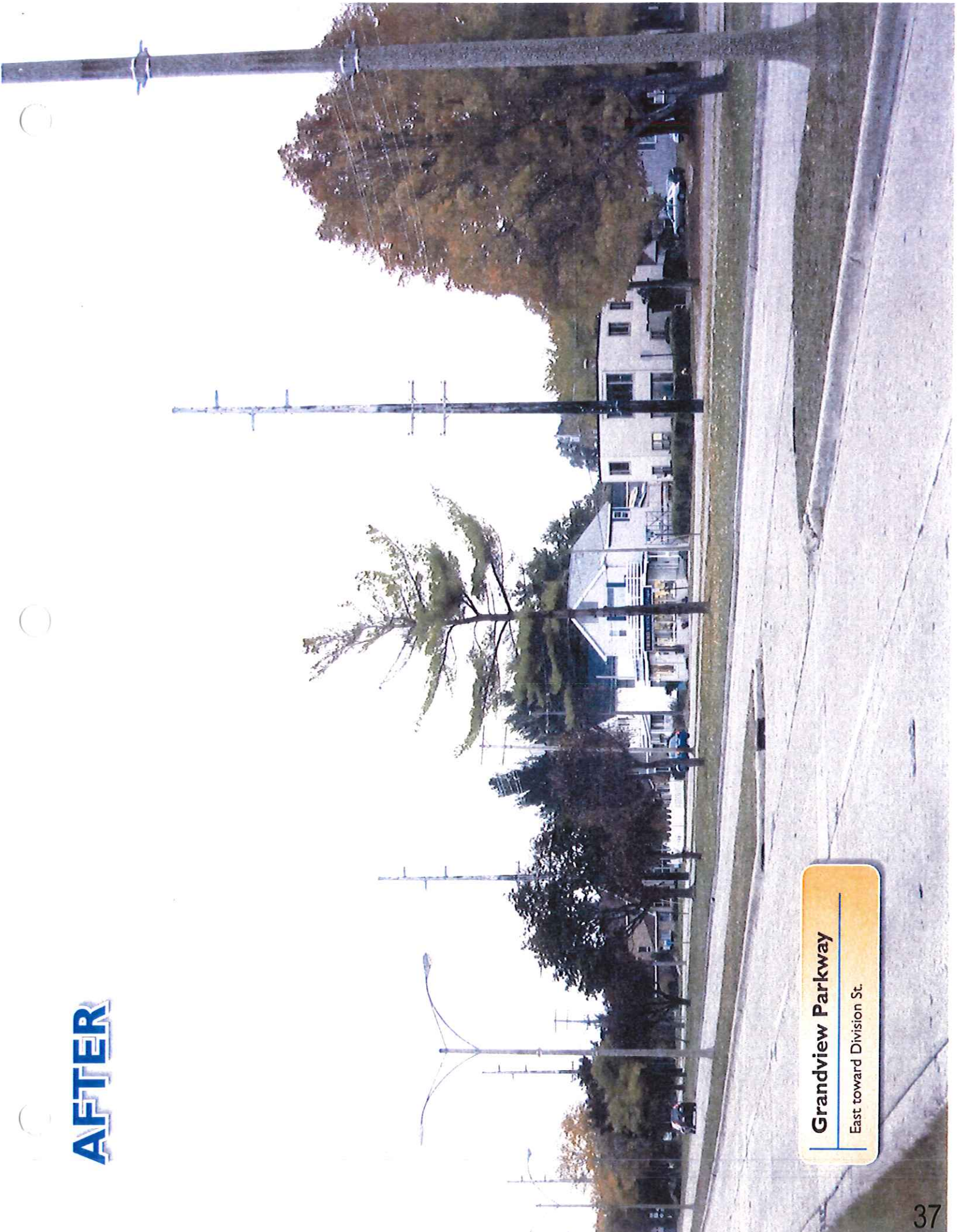
Grandview Parkway
West toward M-72

BEFORE



Grandview Parkway
East toward Division St.

AFTER



Grandview Parkway
East toward Division St.

BEFORE



M-72 / M-22 Intersection
Looking west

AFTER



M-72 / M-22 Intersection

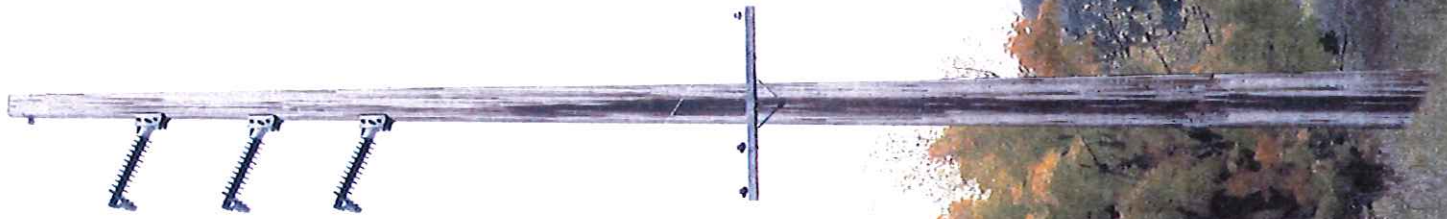
Looking west

BEFORE

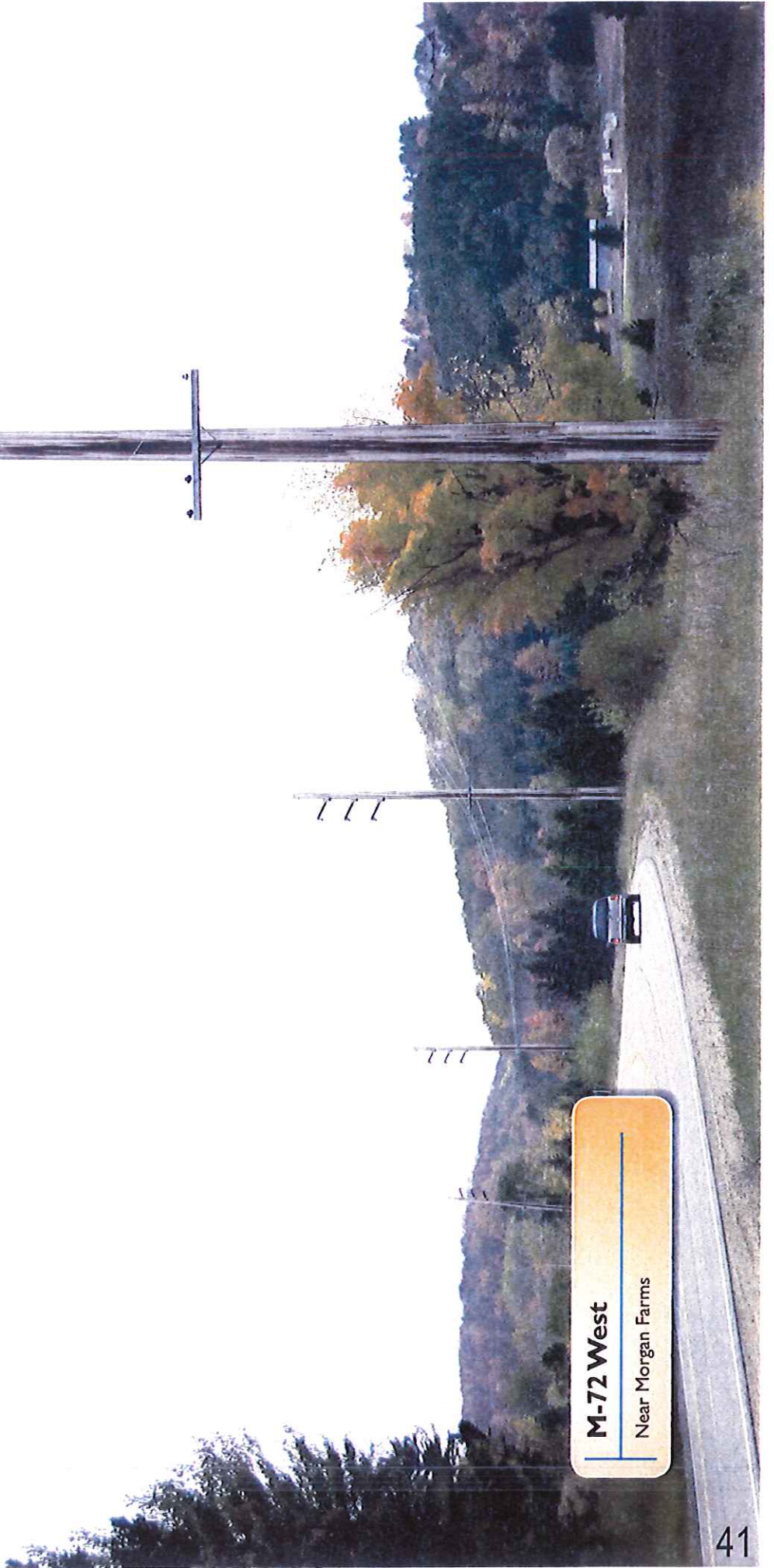


M-72 West
Near Morgan Farms

AFTER



M-72 West
Near Morgan Farms



BEFORE



M-72 West
Near Wind Turbine Generator

AFTER



M-72 West
Near Wind Turbine Generator



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Jessica Wheaton, Manager of Energy Services & Key Accounts
Date: October 6, 2014
Subject: Communications Strategy

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

As detailed in TCL&P's Strategic Plan, under the Strategic Issue of Customer Satisfaction, staff was charged with developing a communications strategy to outline the best ways to communicate with the utility's diverse customer population. Successfully communicating with all customers is crucial in achieving a high level of customer satisfaction and a variety of approaches are currently being taken to ensure that all customers are communicated with appropriately.

Attached is the communications strategy that staff has put together to guide the utility's customer outreach efforts.

Traverse City Light & Power 2014 Communication Strategy

Successfully communicating with all customers is crucial in achieving a high level of customer satisfaction. Knowing that just one communication method does not work for everyone, TCL&P has developed a strategic guide to attempt to reach all customers with its communications.

A variety of different communication methods are currently being used by TCL&P and new methods are also being analyzed and introduced when deemed beneficial. Although each customer class, broadly broken into residential and business, needs to be communicated with in different ways, there are also many methods that work for all customer classes. Detailed below are the communication methods used for all customers, specifically for residential customers, and specifically for business customers. TCL&P will continue to research and analyze different communication methods and add them to the strategic guide as needed.

ALL CUSTOMERS

Methods that are used to communicate with all customers include:

- **Welcome Packet:** TCL&P is developing a welcome packet that will be sent out to all new customers. The purpose of the welcome packet is to introduce them to TCL&P and the programs and services offered by the utility.
- **Bill Tagline:** On the bottom of each utility bill is a small space designated for the bill tagline. Both the City of Traverse City and TCL&P currently utilize this space on the bill. TCL&P will continue to use the bill tagline as a way to communicate short and timely messages directly to customers.
- **Bill Inserts:** According to the 2012 Customer Satisfaction Survey, when asked what the best way is for the utility to communicate information to the customer, the majority of customers responded through the bill insert. TCL&P will continue to utilize the printed bill insert, which is distributed with the customer bill. The topics featured in the bill insert will also be expanded to cover a broad array of topics relating to the utility and utility industry.
- **E-newsletter:** The e-newsletter is a digital copy of the printed bill insert and is sent to customers who have signed up for electronic billing. TCL&P will continue to use the e-newsletter to make sure all customers have access to the same information. TCL&P also utilizes the e-newsletter to send out timely information or event reminders to the distribution list. Currently TCL&P is analyzing ways to increase the number of email addresses included on the distribution list to have a greater overall impact.
- **Website:** TCL&P will continue to review and update the website as needed including content, pictures, etc. In addition, staff will also review other utility websites for new ideas and designs and make modifications to TCL&P's when necessary.

Traverse City Light & Power

2014 Communication Strategy

RESIDENTIAL CUSTOMERS

Methods that are used to communicate specifically with residential customers include:

- **Social Media:** TCL&P launched a Facebook page in June 2014 with the goal of reaching another customer demographic and keeping them informed of utility happenings. Although Facebook may also reach some business customers, the primary focus and messaging will be used to communicate with residential customers. Facebook will be used to communicate timely and relevant utility information such as outage updates, board activity, program updates, and utility projects to customers following the page. TCL&P will also analyze other social media opportunities that may be beneficial such as Twitter, YouTube, etc.
- **Neighborhood Associations:** TCL&P will continue to engage the Neighborhood Associations when appropriate to communicate directly with residential customers who may be impacted by a utility project or event.

BUSINESS CUSTOMERS

Methods that are used to communicate specifically with business customers include:

- **Business Specific Newsletter:** TCL&P is currently working on the launch of a business specific newsletter that will be sent to all 3,000 TCL&P business customers. This communication method will be used to communicate business specific messaging to customers such as energy efficiency programing, customer spotlights, and pertinent utility information such as rate increase impacts.
- **Key Accounts Program:** TCL&P is currently redeveloping its Key Account Program to better serve the utility's largest customers. This group of business customers has different needs due to their level of electrical consumption and the economic development impact of their business on the greater community. Included in the Key Accounts Program are multiple communication methods such as regular one-on-one meetings between TCL&P officials and the Key Account customer, industry specific group meetings and focus groups, having a TCL&P staff member dedicated to respond to all customer inquiries and needs, working with the Chamber on collaborative communications, and direct informational mailings to this customer group.



October 8, 2014

RE: 2015 TCL&P Electric Rate Projections

Dear TCL&P Key Account Customer:

It is of the utmost importance to Traverse City Light & Power (TCL&P) to communicate with its customers regarding utility matters that may impact your company. One area that could be having a prominent impact is the increasing cost of electricity.

The cost to generate electricity will continue to increase over the next several years due to many variables, which include a state mandate for increased renewable energy and EPA regulations on coal fired generation plants. These factors, along with a utility rate study, led to TCL&P's first base rate increase since 2006, which took effect July 1, 2014.

In an effort to assist your company as you finalize your 2015 budget, TCL&P will not be recommending a base rate increase during fiscal year 2015-16 (July 1, 2015 through June 30, 2016). However, the Power Service Cost Recovery (PSCR) is a separate rate and will be increasing.

The purpose of the PSCR charge is to recover the variable costs of purchased power. It is calculated on a 12-month rolling average to alleviate extreme fluctuations from month-to-month. TCL&P already knows that the PSCR will be increasing by 2.2% due to the increase in capacity charges, but this figure does not take into account any increase in the cost of purchased power as those amounts are unknown at this time. If your company would like to budget conservatively, TCL&P recommends budgeting for an electric billing increase between 2.5 and 3.5%.

TCL&P is taking every step possible to keep these increases at a minimum. Recently, the TCL&P Board approved withdrawing \$83,333 per month through June 2015 from a competitive trust that will directly decrease the cost of purchased power. TCL&P staff is also continually evaluating current and future electric generation and power purchase opportunities to best serve TCL&P's customers with the goal of keeping costs as affordable as possible.

If you or your staff would like to discuss TCL&P's 2015 rate projections please feel free to contact me. I will be on leave from mid-to-late October and will return in January 2015. During my absence, please contact Karla Myers-Beman, TCL&P's Controller, by phone at 231-932-4560 or by email at kmyersbe@tclp.org.

Kind regards,

Jessica Wheaton
Manager of Energy Services & Key Accounts
Ph: 231-932-4574
Email: jwheaton@tclp.org

C: TCL&P Board

Meeting Date: September 3, 2014
Time: 10:00am
Location: TCL&P Offices
From: Michael P. McGeehan
Subject: Project Status Update

Client: TCL&P
Project Name: 2014-2015 Projects
Project No.: 12-0463.01
Issue Date: September 4, 2014

Attendees: TCL&P
Tim Arends
Karla Meyers-Beman
Tom Olney
Rod Solak
Mark Watson
Blake Wilson
City of Traverse City
Tim Lodge
GRP Engineering, Inc.
Michael McGeehan

Distribution: All Attendees

This report will confirm those items discussed and/or reached. Unless information to the contrary is received within five (5) working days, the writer will assume all participants agree with the contents of this memorandum.

East Hammond Transmission Line

1. Construction is complete. Signed copy of punch list From Kent Power has been received and will be forwarded to TCL&P. Final inspection of completed punch list items to be completed on September 3rd.
2. Record drawings are being completed by GRP Engineering, Inc.
3. Final invoicing from Kent Power has been approved by GRP Engineering, Inc. and was submitted to TCL&P.
4. Final invoicing from Consumers Energy has not been received.

Parsons Road Transmission Line

5. Construction is complete. Signed copy of punch list From Kent Power has been received and will be forwarded to TCL&P. Final inspection of completed punch list items to be completed on September 3rd.
6. Record drawings are being completed by GRP Engineering, Inc.
7. Final invoicing from Kent Power has been approved by GRP Engineering, Inc. and was submitted to TCL&P.

8. GRP Engineering, Inc. will modify the final unit list to show the amount to invoice Consumers Energy. Additionally, TCL&P and GRP will determine the material costs that need to be included in the invoice. Cost will be determined by GRP Engineering, Inc. from Kent Power's unit prices to transfer existing conductors. This amount will be included in the invoice to CE since the work would have needed to be completed if TCL&P did not replace the conductors.

South Substation

9. All foundations are in with the exception of the reclosers.
10. Oil containment is nearly complete.
11. Transformer delivery is scheduled for September 4th. Post Note: Transformer delivery delayed until September 11th. Manufacturer notified GRP following the meeting.
12. Majority of conduit for 69kV bus equipment control cabling is installed.
13. Kent Power's subcontractor (Elmer's) graded the site 6" high when bring the site up to subgrade level. The site was staked correctly by Gosling-Czubak, so Kent Power will be responsible to correct.
14. Project remains on schedule for energization late November or early December.
15. TCL&P requested GRP Engineering, Inc. continue coordination with Garfield Township on sidewalk installation in conjunction with 2015 LaFranier Road reconstruction.
16. TCL&P requested verification of the SCADA system communication is operational prior to substation energization.

South Substation Distribution Circuits

17. Underground conduit has installation is nearly complete.
18. Manhole setting is tentatively scheduled for week of September 8th.
19. New circuit on Hammond Road has been installed.
20. All switches are installed and connected.
21. CC Power is scheduled to start the Hendrix work the week of September 22nd.
22. CC Power is scheduled to start the underground work early October.
23. Grand Traverse to Cass Rd 69kV transmission outage tentatively scheduled for the week of September 29th.

Pine & State Street / Uptown Development

24. TCL&P crews to construct overhead temporary line to allow for construction of the Uptown Development to start.
25. GRP Engineering, Inc. completed bid documents for the river boring and they are ready to be sent out. TCL&P requested the route be changed to utilize the existing conduit in State Street and route the circuit down State Street and Union Street. Any permit applications submitted to MDEQ and MDNR should continue through the approval process.

- 26. TCL&P requested GRP Engineering, Inc. revise the construction cost estimate based on the new underground route on State Street & Union Street for circuit HL22.
- 27. Elmer's is ready for conduit installation along the Post Office / City Parking Lot. City engineering is requesting to review the drawings prior to starting construction.

Gray Road to Hall Street Transmission Line

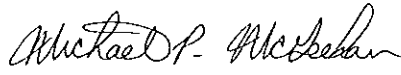
- 28. Preliminary design for route along M-72 is being completed. Need to complete inventory along Bay Street from Wayne to M-72.
- 29. TCL&P needs construction cost estimates for both the existing centerline and the alternate M-72 route by the end of September.
- 30. Design along the existing centerline should include a minor route adjust through Hickory Hills. Concept drawings are available on the City website to review.

Cancer Center ATS Switch

- 31. Preliminary design is complete. GRP Engineering, Inc. to determine depths for all existing utility crossings and review design with City Engineering.
- 32. Need to review design with Munson, Cancer Center & TCL&P for equipment placement and easements.
- 33. Two (2) bid packages will be produced (conduit & cable/equipment installation.)
- 34. The ATS switch will need to be quoted and procured by TCL&P .
- 35. North feed needs to be completed by January 1st. Propose to use Elmer's for conduit installation and TCL&P crews for cable and equipment installation due to schedule.

Front Street Lighting

- 36. The City has received a grant to complete streetscape lighting on Front Street from just west of Pine Street to Division Street.
- 37. Construction is scheduled for spring 2015.
- 38. GRP Engineering, Inc. will assist TCL&P with design once scope is finalized.

Signed: 
GRP Engineering, Inc.