

A REGULAR MEETING
Of The
TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

TUESDAY, January 12, 2016

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) 922-4940 ext. 201

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

Posting Date: 01-08-16
4:00 p.m.

AGENDA

Pledge of Allegiance

1. Roll Call

2. Consent Calendar

None.

3. Unfinished Business

None.

4. New Business

- a. Consideration of approving minutes of the Regular Meeting of December 8 and Study Session of December 15, 2015. (p. 3)
- b. 2014-15 financial audit presentation. (Myers-Beman) (p. 7)

5. Appointments

None.

6. Reports and Communications

- a. From Legal Counsel.
- b. From Staff.
 1. 2016 Strategic Plan update. (All staff) (p. 54)
 2. Presentation of 2016 Six Year Capital Plan. (All staff) (p. 79)
 3. Presentation of first quarter 2015-16 financial statements. (Myers-Beman) (p. 91)
 4. 2016-17 budget schedule. (Myers-Beman) (p. 99)
- 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, December 8, 2015

Board Members -

Present: Pat McGuire, Jeff Palisin, Bob Spence, Tim Werner, John Taylor

Absent: Amy Shamroe, Jan Geht

Ex Officio Member -

Present: Marty Colburn, City Manager

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

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

Item 2 on the Agenda being Consent Calendar

None.

Item 3 on the Agenda being Unfinished Business

None.

Item 4 on the Agenda being New Business

a. Consideration of approving minutes of the Regular Meeting of November 24, 2015.

Moved by McGuire, seconded by Palisin, that the minutes of the Regular Meeting of November 24, 2015 as presented be approved.

CARRIED unanimously. (Geht, Shamroe absent)

b. Consideration of the LaFranier/Barlow Transmission Line Upgrade Project Authorization Request.

The following individuals addressed the Board:

Tim Arends, Executive Director
Michael McGeehan, President, GRP Engineering, Inc.

Moved by McGuire, seconded by Spence, that the Board approve the LaFranier/Barlow Transmission Line Upgrade Project and directs staff to solicit construction bids and material quotes for the Board's consideration of approval.

CARRIED unanimously. (Geht, Shamroe absent)

c. Consideration of authorizing a professional services agreement with GRP Engineering, Inc. for engineering services related to the LaFranier/Barlow Transmission Line Upgrade Project.

The following individuals addressed the Board:

Tim Arends, Executive Director
Michael McGeehan, President, GRP Engineering, Inc.

Moved by Palisin, seconded by Spence, that the Board authorizes the Chairman and Secretary to enter into an agreement with GRP Engineering, Inc. for professional engineering and contract management services related to the LaFranier/Barlow Transmission Line Upgrade Project in the amounts of \$113,000 and \$45,000; subject to approval as to substance by the Executive Director, and as to form by General Counsel.

CARRIED unanimously. (Geht, Shamroe absent)

- d. Consideration of authorizing a construction agreement with C.C. Power, LLC for hourly rate assistance.

The following individuals addressed the Board:

Tim Arends, Executive Director
Blake Wilson, System Engineer
Karla Myers-Beman, Controller

Moved by McGuire, seconded by Palisin, that the Board authorizes the Chairman and Secretary to enter into a construction agreement for electric line distribution construction services with C.C. Power, LLC in the not to exceed amount of \$100,000, billings to be based on the hourly rate provided in the bid; subject to approval as to substance by the Executive Director and approval as to form by General Counsel.

CARRIED unanimously. (Geht, Shamroe absent)

Item 5 on the Agenda being Appointments

None.

Item 6 on the Agenda being Reports and Communications

- a. From Legal Counsel.

None.

- b. From Staff.

1. Karla Myers-Beman reported on an emergency purchase made for the August storm.

The following individuals addressed the Board:

Tim Arends, Executive Director

2. Karla Myers-Beman presented the 2015 audit engagement letter.

The following individuals addressed the Board:

Tim Arends, Executive Director

3. Karla Myers-Beman provided an update on the PCR rate.

The following individuals addressed the Board:

Tim Arends, Executive Director

4. Jessica Wheaton provided an update regarding the Community Solar Phase II project.

The following individuals addressed the Board:

Tim Arends, Executive Director

5. Tim Arends provided a reminder to the Board regarding the Study Session scheduled for December 15, 2015.
6. Tim Arends announced a meeting regarding fiber to the premises and distributed antenna system has been scheduled for December 16, 2015 with various interested parties.

c. From Board.

1. Marty Colburn announced a conditional rezone at Aero Court will be on an upcoming agenda, a meeting has been scheduled with Costco and the Special Land Use Permit for 305 Front Street was approved at last night's City Commission Meeting.
2. Pat McGuire commended Consumers Energy for removing their substation located between Union Street and Cass Street behind Central Methodist Church.

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 6:08 p.m.

/st

Tim Arends, Secretary
LIGHT AND POWER BOARD

**TRAVERSE CITY
LIGHT AND POWER BOARD**

Minutes of Study Session
Traverse City Light and Power Board
Held at 5:15 p.m., Training Room, Governmental Center
Tuesday, December 15, 2015

LIGHT AND POWER BOARD MEMBERS -

Present: Pat McGuire, Jeff Palisin, Amy Shamroe, Tim Werner, Jan Geht,
John Taylor

Absent: Bob Spence

EX OFFICIO MEMBER -

Present: Marty Colburn, City Manager

OTHERS: Tim Arends, W. Peter Doren, Scott Menhart, Karla Myers-Beman,
Pete Schimpke, Kelli Schroeder, Rod Solak, Stephanie Tvardek,
Mark Watson, Jessica Wheaton, Blake Wilson

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

1. Introduction of new Manager of Operations and Engineering, Pete Schimpke.

The following individuals addressed the Board:

Tim Arends, Executive Director

2. Discussion of Advanced Metering Infrastructure (AMI).

The following individuals addressed the Board:

Tim Arends, Executive Director
Alice Moy-Gonzalez, GE Energy
Blake Wilson, System Engineer
Marty Colburn, City Manager
Scott Menhart, Manager of Telecom & Technology
W. Peter Doren, General Counsel

6:44 p.m. Marty Colburn departed the meeting.

3. Public Comment.

No one from the public commented.

There being no objection, Chairman Taylor declared the meeting adjourned at 6:56 p.m.



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Karla Myers-Beman, Controller *KMB*
Date: January 1, 2016
Subject: Presentation of the 2014-15 Financial Audit

The TCL&P Financial Audit for the fiscal year ended June 30, 2015 will be presented by the audit firm of Abraham & Gaffney, P.C. A copy of the audit is in your board packet. The public will be able to view the audit on-line once it is accepted by the Board at TCL&P's web page: www.tclp.org.

If after the Board's questions have been answered and it is satisfied with the report, the following motion would be appropriate:

MOVED BY _____, **SECONDED BY** _____,

**THAT THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30,
2015, BE ACCEPTED.**

Traverse City Light and Power

**(A Component Unit of the
City of Traverse City, Michigan)**

Financial Statements

**For the Fiscal Year Ended
June 30, 2015**

TRAVERSE CITY LIGHT AND POWER
(A Component Unit of the City of Traverse City, Michigan)

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and Members of the
Traverse City Light and Power Board
Traverse City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of Traverse City Light and Power (the Department), a component unit of the City of Traverse City, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Changes in Accounting Principles

As discussed in Note 15 to the financial statements, the Department implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the Department's unfunded defined pension benefit obligation as a liability for the first time, and more comprehensively and comparably measures the annual costs of pension benefits. Our opinions are not modified with respect to this matter.

Also as discussed in Note 15 to the financial statements, the Department implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, during the year. As a result, the Department recognized a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Our opinions are not modified with respect to this matter.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Traverse City Light and Power, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and schedule of employer contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information has not been subjected to the auditing procedures applied in the audit in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 30, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRAVERSE CITY LIGHT AND POWER

Management's Discussion and Analysis

As management of the *Traverse City Light and Power* (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's financial statements comprise three components:

1. Financial statements
2. Notes to the financial statements
3. Supplementary information

Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Department is accounted for in two proprietary funds (Enterprise Funds). The Light and Power Fund and the Fiber Fund, both of which are considered major for reporting purposes.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing electrical and dark fiber services to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *Statement of Net Position* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Department is principally supported by charges for providing electrical and dark fiber services to customers in Traverse City and Townships within the franchise area. The financial statements include only the Department itself. The Department has no legally separate component units for which the Department is financially accountable.

The Department adopts an annual appropriated budget for its funds as required by City Charter. Budgetary comparison schedules have been provided herein to demonstrate compliance with that charter provision.

The Department does not maintain any governmental or fiduciary funds.

Notes to the financial statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the Department's financial statements.

Supplementary information. In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information*, which includes this management discussion and analysis and schedules following the notes to the financial statements.

The Department's Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by approximately \$70,240,000 at the close of the most recent fiscal year, June 30, 2015.

The largest portion of net position for the Department is its investment in capital assets (primarily land, construction in progress, buildings, distribution system and equipment). The Department uses these capital assets to provide services to customers. The remaining Department net position is unrestricted and available for Department activity. On the table below, the Statement of Net Position as of June 30, 2014 was restated due to the implementation of GASB Statements No. 68 and 71. The Statement of Changes in Net Position for the year ended June 30, 2014 was not adjusted.

Traverse City Light and Power's Net Position

Business-type Activities	June 30	
	2015	2014
Current and other assets	\$30,693,508	\$29,089,922
Capital assets	52,251,537	49,086,351
Total assets	<u>82,945,045</u>	<u>78,176,343</u>
Deferred outflows	640,900	-363,560
Long-term liabilities outstanding	10,612,247	9,962,907
Other liabilities	2,733,557	3,104,564
Total liabilities	<u>13,345,804</u>	<u>13,067,471</u>
Net position		
Invested in capital assets	52,251,537	49,086,351
Unrestricted	<u>17,988,604</u>	<u>16,386,081</u>
Total net position	<u>\$70,240,141</u>	<u>\$65,472,432</u>

Traverse City Light and Power's Changes in Net Position

Business-type Activities	June 30	
	2015	2014
Operating revenue	\$37,399,341	\$35,521,246
Operating expenses	(33,043,681)	(32,629,767)
Nonoperating revenue (expense)	<u>412,049</u>	<u>1,170,951</u>
Increase (decrease) in net position	4,767,069	4,062,430
Net position -- beginning of year, as restated	<u>65,472,432</u>	<u>70,845,490</u>
Net position -- end of year	<u>\$70,240,141</u>	<u>\$74,907,920</u>

Business-type activities

The overall financial position of the Department remained strong in 2014-2015. There are no outstanding debt obligations except for the commitments through the power supply contracts with Michigan Public Power Agency ("MPPA") to reimburse MPPA for debt service costs relating to the Campbell, Belle River and Kalkaska Combustion Turbine generation plants.

Revenue

Overall revenues exceeded budget. Specifically, operating revenues were higher because commercial sales resulted in a higher per kWh sales than budgeted. The other rate classes were not impacted, residential sales had lower kWh sales and industrial class had a new metal melting rate approved that resulted in less revenues. Reimbursements are lower than budgeted because a special assessment did not occur that was tentatively planned for street lighting.

Expenses

In fiscal year 2014-15, operating expenses was less than budget by approximately \$2.8M. This was primarily attributed to the purchase power cost having a lower price per kWh than what was forecasted.

Capital asset and debt administration

Traverse City Light and Power Capital Assets (net of depreciation)

	June 30	
	2015	2014
Land and land improvements	\$1,395,691	\$1,395,691
Construction in progress	5,043,136	1,785,733
Buildings and improvements	4,487,246	4,487,246
Equipment and distribution system	67,372,811	66,047,946
Accumulated depreciation	(26,047,347)	(24,630,265)
Total	\$52,251,537	\$49,086,351

During the year, the Department sold the M-72 wind turbine to Heritage Stoney Corners, LLC.

Additional information about capital assets is provided in Note 4 to the financial statements.

Debt of the Department consists of amounts outstanding for accrued compensated absences. Additional information can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

There is no proposed rate increase for fiscal year 2015-16. The Department's Lansing Board of Water and Light purchase power contract terminates as of December 31, 2015 and it has been replaced with firm energy contracts in a staggered amount over the next five years. The Department has seen an increase in capacity costs as result of planned coal plants closing due to the age of the plants and the inability to meet EPA emission standards. Power supply costs will impact the Department's future overall rate increases.

Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information, should be addressed to Karla Myers-Beman, Controller, Traverse City Light and Power, 1131 Hastings Street, Traverse City, MI 49686.

FINANCIAL STATEMENTS

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF NET POSITION JUNE 30, 2015

ASSETS	Light and Power Fund	Fiber Fund	Total
Current assets			
Cash and cash equivalents	\$ 9,098,003	\$ -	\$ 9,098,003
Investments	13,220,402	-	13,220,402
Receivables			
Customer, less allowances of \$312,927 for uncollectible accounts (Light and Power Fund)	3,044,311	280,298	3,324,609
Accrued interest	50,681	-	50,681
Taxes	18,663	-	18,663
Other	1,074,010	-	1,074,010
Inventories	1,730,496	5,956	1,736,452
Due from other funds	19,441	-	19,441
Prepaid expenses	17,808	-	17,808
Total current assets	28,273,815	286,254	28,560,069
Non-current assets			
Other postemployment benefit asset	1,149,539	-	1,149,539
Long-term advances - due from primary government	3,000	-	3,000
Asset held for sale	980,900	-	980,900
Land and land improvements	1,395,691	-	1,395,691
Construction in progress	5,043,136	-	5,043,136
Capital assets being depreciated, net	44,131,784	1,680,926	45,812,710
Total non-current assets	52,704,050	1,680,926	54,384,976
Total assets	80,977,865	1,967,180	82,945,045
Deferred outflows of resources - Pensions	639,314	1,586	640,900

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF NET POSITION JUNE 30, 2015

LIABILITIES AND NET POSITION	<u>Light and Power Fund</u>	<u>Fiber Fund</u>	<u>Total</u>
Current liabilities			
Accounts payable	\$ 1,952,316	\$ 30,279	\$ 1,982,595
Accrued expenses and other liabilities	218,647	451	219,098
Customer deposits	98,386	-	98,386
Unearned revenue	20,570	14,270	34,840
Compensated absences	3,150	-	3,150
Due to other funds	-	19,441	19,441
Due to primary government	363,259	12,788	376,047
Total current liabilities	2,656,328	77,229	2,733,557
Long-term liabilities			
Compensated absences	152,520	1,008	153,528
Net pension liability	10,431,954	26,765	10,458,719
Total long-term liabilities	10,584,474	27,773	10,612,247
Total liabilities	13,240,802	105,002	13,345,804
Net position			
Invested in capital assets	50,570,611	1,680,926	52,251,537
Unrestricted	17,805,766	182,838	17,988,604
Total net position	\$ 68,376,377	\$ 1,863,764	\$ 70,240,141

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

	Light and Power Fund	Fiber Fund	Total
Operating revenues			
Charges for services	\$ 34,396,799	\$ 255,752	\$ 34,652,551
MISO income	2,481,500	-	2,481,500
Other	265,290	-	265,290
Total operating revenues	37,143,589	255,752	37,399,341
Operating expenses			
Generation	22,855,173	-	22,855,173
Distribution	3,530,929	-	3,530,929
Transmission	406,584	-	406,584
Customer accounting	568,692	-	568,692
Public service	513,302	-	513,302
General administration	834,938	-	834,938
Fiber	-	101,209	101,209
WIFI	-	23,225	23,225
Other	57,875	1,161	59,036
City fee	1,863,259	12,788	1,876,047
Depreciation	2,157,940	116,606	2,274,546
Total operating expenses	32,788,692	254,989	33,043,681
Operating income	4,354,897	763	4,355,660
Nonoperating revenues (expenses)			
Rental income	91,226	-	91,226
Reimbursements	143,048	296,122	439,170
Interest income	251,067	4	251,071
Change in fair value of investments	59,202	-	59,202
Loss on sale of assets	(428,620)	-	(428,620)
Total nonoperating revenues (expenses)	115,923	296,126	412,049
Change in net position	4,470,820	296,889	4,767,709
Net position, beginning of year, as restated	63,905,557	1,566,875	65,472,432
Net position, end of year	\$ 68,376,377	\$ 1,863,764	\$ 70,240,141

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

	<u>Light and Power Fund</u>	<u>Fiber Fund</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 37,459,974	\$ 254,684	\$ 37,714,658
Cash payments to employees	(5,290,294)	(83,113)	(5,373,407)
Cash payments to suppliers for goods and services	(23,672,269)	(17,090)	(23,689,359)
Cash payments of City fee	(1,715,851)	(11,464)	(1,727,315)
Net cash provided by operating activities	<u>6,781,560</u>	<u>143,017</u>	<u>6,924,577</u>
Cash flows from noncapital financing activities			
Cash payments from primary government	302,836	-	302,836
Cash payments to/from other funds	(19,441)	19,441	-
Customer deposits paid	(1,463)	-	(1,463)
Rental income received	91,226	-	91,226
Reimbursements received	143,048	21,122	164,170
Net cash provided by noncapital financing activities	<u>516,206</u>	<u>40,563</u>	<u>556,769</u>
Cash flows from capital and related financing activities			
Proceeds from sale of capital assets	1,126	-	1,126
Assets held for sale	(980,900)	-	(980,900)
Purchase of capital assets	(5,407,445)	(462,031)	(5,869,476)
Net cash (used in) capital and related financing activities	<u>(6,387,219)</u>	<u>(462,031)</u>	<u>(6,849,250)</u>
Cash flows from investing activities			
Sale of investments	2,632,005	-	2,632,005
Interest and dividends	315,875	4	315,879
Net cash provided by investing activities	<u>2,947,880</u>	<u>4</u>	<u>2,947,884</u>
Net increase (decrease) in cash and cash equivalents	3,858,427	(278,447)	3,579,980
Cash and cash equivalents, beginning of year	5,239,576	278,447	5,518,023
Cash and cash equivalents, end of year	<u>\$ 9,098,003</u>	<u>\$ -</u>	<u>\$ 9,098,003</u>

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

	Light and Power Fund	Fiber Fund	Total
Cash flows from operating activities			
Operating income	\$ 4,354,897	\$ 763	\$ 4,355,660
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	2,157,940	116,606	2,274,546
Changes in operating assets and liabilities which provided (used) cash			
Receivables	291,471	(1,068)	290,403
Inventories	260,213	(5,956)	254,257
Prepaid expenses	(12,208)	-	(12,208)
Deferred outflow	(276,689)	(654)	(277,343)
Accounts payable	(35,079)	30,129	(4,950)
Due to other governments	147,408	1,324	148,732
Accrued expenses and other liabilities	(530,372)	451	(529,921)
Compensated absences	(12,959)	(218)	(13,177)
Net pension liability	658,032	1,640	659,672
Other postemployment benefit asset	(221,094)	-	(221,094)
Net cash provided by operating activities	\$ 6,781,560	\$ 143,017	\$ 6,924,577

The accompanying notes are an integral part of these financial statements.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Under provisions of the City of Traverse City (the "City") Charter, the Light and Power Board (the "Board") was created having jurisdiction and control of *Traverse City Light and Power* (the "Department"). The Board consists of seven members (two of which are City Commissioners) and one ex-officio member (the City Manager). The Department's annual budget is approved by the City Commission. The Department is required to pay 5% of its gross revenue annually to the City's General Fund as a city fee. For fiscal 2015, the city fee was \$1,876,047.

Reporting Entity

The Department is a discretely presented component unit of the City because the City appoints the Department's Board of Directors, it has the ability to significantly influence the Department's operations and it is financially accountable for the Department as defined under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements 39 and 61. Accordingly, the Department is an integral part of that reporting entity.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department. There are no component units to be included. The criteria for including a component unit includes significant operational or financial relationships with the Department.

Basis of Accounting

The Department uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value. The change in fair value of the investments from the beginning of the year to the end of the year is reported in the "Nonoperating revenues" section of the "Statements of Revenues, Expenses and Changes in Net Position".

State statutes authorize the Department to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.

TRAVERSE CITY LIGHT AND POWER

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NOTES TO FINANCIAL STATEMENTS

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20, as amended.
- h. Long-term or perpetual trust funds consisting of money and royalties or money derived from oil and gas exploration on property or mineral rights owned by the Department has the same authority to invest the assets as is authorized by Public Act 314, as amended.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories

Inventories consist of materials to be used in the electric system and are valued at cost (first-in, first-out) not in excess of market. Maintenance and office supplies (immaterial at year end) are charged to expenses upon purchase.

Prepaid Expenses

The Department incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the Department records an asset to reflect the investment in future services.

Capital assets

Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years.

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated lives of the related assets as follows:

	<u>Years</u>
Transmission and distribution plant	30-50
General plant	10-50

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NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Compensated absences consist of accumulated unpaid vacation, short-term leave and sick pay. Accumulated unpaid vacation and short-term leave are accrued when earned. Sick pay is frozen for employees but upon death or retirement 50% of accumulated sick leave shall be paid to a maximum of 120 days. Two choices for sick pay cash out are available to employees with more than 30 days of sick leave and 10 years of service. Employees can use sick leave as allowing under the Short-Term Leave Plan or cash out all amounts of sick leave in excess of 30 days up to 120 days at the rate of 50% of employee's current pay rate. Days in excess of 120 will be added to the 30 day bank. This choice must be made as a one-time selection at any time after the employee reaches 10 years of service.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Department has items that qualify for reporting in this category related to the net position liability which is discussed in Note 7.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Department does not have any items that qualify for reporting in this category.

Pensions

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense; information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenue versus Nonoperating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services and "MISO" revenue. Operating expenses for the Department include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

Funds

The Department reports the following major proprietary funds:

The Light and Power Enterprise Fund is used to account for the operations of the Department's electric utility that provides electric service to customers on a user charge basis.

The Fiber Enterprise Fund is used to account for the operations of the Department's fiber optic utility that provides services to customers on a user charge basis and WIFI system located in the downtown area. The Fiber Fund was created in 2008 with an initial capital contribution from the Light and Power Enterprise Fund.

Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

2. CASH DEPOSITS AND INVESTMENTS

The Department's cash and cash equivalents, and investments at June 30, 2015 are composed of the following:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Totals</u>
Deposits	\$9,098,003	\$1,960,640	\$11,058,643
Investments	-	11,259,762	11,259,762
Total	\$9,098,003	\$13,220,402	\$22,318,405

Deposits consist of various interest bearing cash accounts and certificates of deposit, held by the City of Traverse City Treasurer. The insured and uninsured bank balances for the Department's deposits are not available as these deposits are held in pools with other City funds.

The Department is authorized by Michigan Public Act 20 of 1943 to invest surplus monies in U.S. bonds and notes, certain commercial paper, mutual funds and investment pools that are composed of authorized investment vehicles.

The Department chooses to disclose its investments by specifically identifying each. As of June 30, 2015, the Department's Michigan CLASS investment and the U.S. Treasury notes are rated by Standard & Poor's. The Department had the following investments:

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NOTES TO FINANCIAL STATEMENTS

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury Note	12/05/2016	\$499,635	AA+
US Treasury Note	12/31/2016	937,197	AA+
US Treasury Note	06/30/2018	520,040	AA+
US Treasury Note	02/11/2020	999,910	AA+
US Treasury Note	02/15/2020	436,844	AA+
US Treasury Note	03/18/2020	997,430	AA+
US Treasury Note	06/24/2020	1,000,120	AA+
US Treasury Note	03/20/2023	494,790	AA+
US Treasury Note	03/31/2023	974,500	AA+
US Treasury Note	03/25/2025	960,230	AA+
US Treasury Note	08/27/2027	995,720	AA+
US Treasury Note	01/25/2028	970,500	AA+
US Treasury Note	02/14/2028	481,780	AA+
MPPA Investments Pool	Various	988,038	Unrated
Michigan CLASS	NA	3,028	AAAm
		\$11,259,762	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The Department's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Department's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. State law does not require and the Department does not have a policy for deposit custodial credit risk. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

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Custodial Credit Risk – Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Department does not have a policy for investment custodial credit risk. Of the above \$11,259,762 of investments at June 30, 2015, the Department has a custodial credit risk exposure of \$10,268,696 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investment pools the Department's custodial credit risk exposure cannot be determined because the Department does not own specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The Department's investment policy does not have specific limits in excess of state law on concentration of credit risk. None of the investments held by the Department, excluding government obligations explicitly guaranteed by the U.S. government and mutual fund investments, exceed 5% of the Department's investments.

3. ASSET HELD FOR SALE

On or about May 2, 2012, GRP entered into an agreement for professional services with Department for professional engineering design and construction management services associated with the South Substation Project. The project included the equipment for the substation which included two 69kv breakers, two 69kv:13.8kv transformers, five distribution circuit reclosers, associated bus work and switches and a relay control house including SCADA equipment. During the design phase, the procurement specifications for the power transformers were incorrect and discovered upon energization of the transformers in January 2015. Subsequent to this discovery the transformers were declared surplus by the Board and placed out to bid with Wyandotte Municipal Services being the highest bidder in the amount of \$601,969. A procurement agreement was entered into in May 2015 with the removal of the transformers occurring late September 2015. The difference between the original transformer cost and the bid amount along with installation costs will be recovered through GRP Engineering insurance carrier and acknowledged through the Settlement Agreement and Release entered into between the Department and GRP Engineering at the beginning of September 2015. For the fiscal year end June 30, 2015 the transformers have been reclassified to Assets Held for Sale with the sale and recovery of loss of the transformers plan to be recognized in the subsequent fiscal year.

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NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS

At June 30, 2015, capital assets consist of the following:

	Beginning Balance	Additions & Transfers	Deletions & Transfers	Ending Balance
Capital assets not being depreciated				
Land and land improvements	\$ 1,395,691	\$ -	\$ -	\$1,395,691
Construction in progress	<u>1,785,733</u>	<u>5,176,026</u>	<u>1,918,623</u>	<u>5,043,136</u>
Total capital assets not being depreciated	<u>3,181,424</u>	<u>5,176,026</u>	<u>1,918,623</u>	<u>6,438,827</u>
Capital assets being depreciated				
Buildings and improvements	4,487,246	-	-	4,487,246
Equipment and distribution system	64,278,691	2,097,251	1,308,058	65,067,884
Fiber system	1,769,255	33,952	-	1,803,207
WiFi system	<u>-</u>	<u>501,720</u>	<u>-</u>	<u>501,720</u>
Total capital assets being depreciated	<u>70,535,192</u>	<u>2,632,923</u>	<u>1,308,058</u>	<u>71,860,057</u>
Less accumulated depreciation for				
Buildings and improvements	1,368,926	134,617	-	1,503,543
Equipment and distribution system	22,753,944	2,023,323	857,464	23,919,803
Fiber system	507,395	91,520	-	598,915
WiFi system	<u>-</u>	<u>25,086</u>	<u>-</u>	<u>25,086</u>
Total accumulated depreciation	<u>24,630,265</u>	<u>2,274,546</u>	<u>857,464</u>	<u>26,047,347</u>
Total capital assets being depreciated, net	<u>45,904,927</u>	<u>358,377</u>	<u>450,594</u>	<u>45,812,710</u>
Total capital assets, net	<u>\$49,086,351</u>	<u>\$5,534,403</u>	<u>\$2,369,217</u>	<u>\$52,251,537</u>

5. LONG-TERM LIABILITIES

Long-term debt at June 30, 2015, consists of the following:

	Balance <u>07/01/14</u>	Addition <u>s</u>	Reduction <u>s</u>	Balance <u>06/30/15</u>	Due Within <u>One Year</u>
Accrued compensated absences	<u>\$169,855</u>	<u>\$ 234,349</u>	<u>\$247,526</u>	<u>\$156,678</u>	<u>\$3,150</u>

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6. POWER SUPPLY PURCHASE

In September 2010, the Department entered into two 5-year agreements with the Lansing Board of Water & Light ("LBWL") to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatts of electric energy up to a maximum of 45 megawatts to replace its deficient energy needs from the expired agreement with Michigan Public Power Agency ("MPPA") power pool. The estimated cost for the 5-year term is \$40,000,000. In addition, the energy service agency agreement provides for LBWL to act as the Department's agent with Midcontinent Independent System Operator ("MISO"). LBWL will enter into third party contracts to purchase energy and sell surplus energy into the MISO daily and hourly markets. The estimated cost for the 5-year term is \$375,000. For the year ended June 30, 2015, the Department recognized expenses totaling \$5,315,446.

The Department, along with other Michigan municipal utilities, is a member of the MPPA. The agency was formed to acquire interest in certain electric generating plants and related transmission lines to service its members. MPPA has acquired a 4.8% undivided interest in the Consumers Energy Campbell 3 plant, an 18.6% undivided interest in the Detroit Edison Belle River project, and 100% undivided interest in the Kalkaska Combustion Turbine project.

In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA's 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA's 18.6% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA's 100% interest in the Kalkaska Combustion Turbine. In 2009, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA's renewable energy contract with Grainger Electric of Michigan, LLC. In 2011, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA's renewable energy contract with Northern American Natural Resources of Michigan. In 2014, the Department entered into an Energy Services Agreement with MPPA for the objective of accessing third party marketers in MISO for the purpose of reducing exposure to MISO market during volatile seasons. This is accomplished through MPPA soliciting bids and subsequently entering into contracts on behalf of DEPARTMENT for firm priced energy supply during more volatile months.

For the year ended June 30, 2015, Traverse City Light and Power recognized expenses totaling \$14,352,256 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission and debt service costs.

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Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2014 costs adjusted for inflation. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2016	\$7,467,896
2017	4,945,127
2018	5,093,481
2019	2,814,665
2020	2,899,105
2021-2025	15,853,494
2026-2027	7,027,216
	<u>\$46,100,984</u>

The estimated total annual debt payments (assuming no early calls or refinancing) are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$2,871,939	\$1,166,712	\$4,038,651
2017	3,160,421	1,020,444	4,180,865
2018	3,300,335	880,189	4,180,524
2019	2,197,513	739,091	2,936,604
2020	2,276,835	656,765	2,933,600
2021-2025	9,321,865	2,019,013	11,340,878
2026-2027	3,392,730	256,542	3,649,272
	<u>\$26,521,638</u>	<u>\$6,738,756</u>	<u>\$33,260,394</u>

The MPPA and its member utilities were over-charged on their power sales contract agreements by Detroit Edison. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. The Department's share of this trust fund was \$988,038 as of June 30, 2015.

In December 2009, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2015, the Department recognized expenses totaling \$2,819,687.

In December 2014, the Department entered into a 20-year purchase power agreement with options to terminate on the 10th and 15th anniversary dates. The Agreement is with Heritage Sustainable Energy, LLC to purchase up to .6 MW of electric energy. For the year ended June 30, 2015, the Department recognized expenses totaling \$8,890.

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NOTES TO FINANCIAL STATEMENTS

7. RETIREMENT PLAN

General Information about the Pension Plan

Plan Description. The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in MERS of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

01 - Non Union – Open Division	
	2014 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

10 - Union closed to new hires, linked to Division 12	
	2014 Valuation
Benefit Multiplier:	2.25% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 years
COLA for Current/Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

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**12 - Union hired after 7/1/2012,
linked to Division 10**

	2014 Valuation
Benefit Multiplier:	1.5% Multiplier (no max)
Normal Retirement Age:	60
Vesting:	6 years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	55/15 50/25
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
Member Contributions:	0%
Act 88:	No

- Benefits provided include plans with multipliers ranging from 1.5 to 2.25.
- Vesting periods range from 6 to 10 years.
- Normal retirement age is 60 with early retirement at 55 with 25 years of service.
- Final average compensation is calculated based on 5 years.
- There are no member contributions.

Employees covered by benefits terms. At the December 31, 2014 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>38</u>
	<u>96</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

Employer contributions range from 7.27 to 21.26% based on annual payroll for open divisions. One division that is closed to new employees has an annual employer contribution amount of \$52,526.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2014, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2014 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation: 3%-4%

Salary Increases: 4.5% in the long-term (1%, 2% and 3% for calendar years 2014, 2015 and 2016, respectively)

Investment rate of return: 8.25%, net investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 4.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the 1994 Group Annuity Mortality Table of a 50% Male and 50% Female blend. For disabled retirees, the regular mortality table is used with a 10-year set forward in ages to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study in 2008. (MERS Retirement Board is currently conducting an actuarial experience study covering the period from January 1, 2009, through December 31, 2013.)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to provide the long-term expected rate of return by weighting the expected future real rates of return of the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.5%	5.02%
Global Fixed Income	20.0%	2.18%
Real Assets	12.5%	4.23%
Diversifying Strategies	10.0%	6.56%

Discount rate. The discount rate used to measure the total pension liability is 8.25% for 2014. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in Net Pension Liability

Calculating the Net Pension Liability			
Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 12/31/13			
Changes for the Year	\$25,914,564	\$16,115,516	\$9,799,048
Service Cost	313,020	-	313,020
Interest on Total Pension Liability	2,083,781	-	2,083,781
Employer Contributions	-	773,230	(773,230)
Net investment Income	-	1,000,478	(1,000,478)
Benefit payments, including employee refunds	(1,626,244)	(1,626,244)	-
Administrative expense	-	(36,578)	36,578
Net Changes	770,557	110,886	659,671
Balances as of 12/31/14	\$26,685,121	\$16,226,402	\$10,458,719

Sensitivity of the Net Position Liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 8.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (7.25%) or 1% higher (9.25%) than the current rate.

	1% Decrease 7.25%	Current Discount Rate (8.25%)	1% Increase 9.25%
<u>Net Pension Liability at 12/31/14</u>	\$ 10,458,719	\$ 10,458,719	\$10,458,719
Change in Net Pension Liability (NPL)	2,955,785	-	(2,504,941)
Calculated NPL for your Notes	\$13,414,504	\$10,458,719	\$7,953,778

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015 the employer recognized pension expense of \$1,199,016. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (Deficit) Investment Returns	\$ 233,885	\$ -
Contributions subsequent to the measurement date*	\$ 407,015	\$ -
Total	\$ 640,900	\$ -

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending 2015.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended <u>June 30,</u>	
2016	\$ 58,471
2017	58,471
2018	58,471
2019	<u>58,472</u>
	\$ 233,885

8. DEFERRED COMPENSATION

The Department participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and Mass Mutual as administrators for the Plan. Participants may contribute zero to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the Traverse City Light and Power Board. In the current fiscal year, the Department contributed \$155,230 and employees contributed \$210,026.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

9. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described above, the Department provides post-retirement health insurance benefits in accordance with its personnel policies and union agreements. The benefit includes payment of the retirees' premiums until they reach the age of Medicare eligibility. The Department paid \$221,094 for 34 participants in fiscal year 2014-2015.

The Department participates in the City's MERS retiree health funding vehicle that covers substantially all employees. Annual contributions to the Plan are based on actuarial studies performed bi-annually. The Department's required contribution to the Plan for the fiscal year ended June 30, 2015, was \$264,231. The postemployment benefit asset for the current year is \$1,149,539. The required disclosures related to the Plan are provided in the City's financial statements.

10. COMMITMENTS

Property

During fiscal year 2003-04, the Department entered into an agreement with Maritime Heritage Alliance to lease a Department owned coal dock. The lease requires annual rental payments of \$1. Under the lease agreement, the lessee must maintain the property, carry adequate insurance and pay all assessments and property taxes on the property. The fair value of the lease is not considered by management to be significant in any one year and, therefore, is not recorded as contributed revenue and lease expense. This lease expires July 2023.

Contracts

During the fiscal year, the Board authorized to fund the high level lighting, low level decorative lighting and the primary service of the City's West Front Street Project in the amount of \$527,000. There were no capital costs incurred as of fiscal year end.

At the April 14, 2015 board meeting, the Board authorized to execute a construction agreement in the amount of \$682,784 with CC Power LLC for the West Side Transmission Line Upgrade project in the amount of \$612,959 and the Hickory Hills Underground Line Project in the amount of \$69,825. Commencement of these projects occurred after fiscal year end.

At the April 28, 2015 board meeting, the Board authorized procurement agreement for two transformers for the South Substation in the amount of \$1,241,409. There were no capital costs incurred as of fiscal year end.

At the June 9, 2015 board meeting, the Board authorized to execute two construction agreements in the amount of \$255,745 with Severance Electric for the Union Street conduit installation and \$499,479 with Kent Power for electrical cable and equipment installation for the Pine and State Street – Overhead to Underground Conversion project. Additionally a purchase order was issued in the amount of \$407,928 for underground cable to Power Line Supply. Commencement of this project occurred after fiscal year end.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

At the June 9, 2015 board meeting, the Board authorized to execute construction agreement with Grand Traverse Construction for the Hastings Street Storage Facility in the amount of \$411,607. Commencement of this project occurred after fiscal year end.

11. CONTINGENCIES

In the normal course of business, the Department becomes a party in various legal actions and claims, some of which are uninsured. The outcome of these actions and claims is not expected to have a material effect on the financial position of the Department.

12. RISK OF LOSS

The Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered for these losses through the City via the Michigan Municipal Liability and Property Pool, Michigan Municipal Workers Compensation Self Insurance Fund and commercial health insurance. The Department has had no settled claims resulting from these risks that exceeded their coverage in any of the past three years.

13. DESIGNATIONS OF NET POSITION

The following are designations of net position established by the Board and City Charter:

	<u>June 30, 2015</u>
Emergencies	\$ 100,056
Minimum Cash Reserve	<u>9,675,000</u>
Total	<u>\$ 9,775,056</u>

14. SUBSEQUENT EVENT

On November 2, 2015 the City Commission certified the coal dock property as unnecessary for Traverse City Light & Power use, accepted the conveyance of the property to the City, assignment of all existing leases, and authorized a conveyance of the properties to Rotary Camps and Services for a purchase price of \$1 million.

15. RESTATED NET POSITION

Beginning net position of the Department was decreased by \$9,799,048 to record the net position liability in accordance with the implementation of Governmental Accounting Standards Board No. 68.

Beginning net position of the Department was increased by \$363,560 to record deferred outflows in accordance with the implementation of Governmental Accounting Standards Board No. 71.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

NOTES TO FINANCIAL STATEMENTS

16. GASB PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Department is currently evaluating the impact this standard will have on the financial statements when adopted, during the Department's 2015-2016 fiscal year.

In June 2015, the GASB issued two new standards addressing accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, addressed reporting by OPEB plans, whereas GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addressed accounting and reporting by employer governments that provide OPEB benefits to their employees. Along with the currently required statement of fiduciary net position and statement of changes in fiduciary net position, OPEB plans will now be required to include in the financial statement more extensive note disclosures and required supplemental information related to the measurement of the OPEB liabilities for which assets have been accumulated. In addition, the Department will, after, adoption of GASB Statement No. 75, recognize on the face of the financial statements its net OPEB liability. The Department is currently evaluating the impact of these standards will have on the financial statements when adopted. GASB Statement No. 74 is effective for fiscal years beginning after June 15, 2016, whereas GASB Statement No. 75 is effective one year later.

* * * * *

SUPPLEMENTARY INFORMATION

TRAVERSE CITY LIGHT AND POWER
REQUIRED SUPPLEMENTARY INFORMATION
MERS DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2014

Total pension liability	
Service cost	\$ 313,020
Interest	2,083,781
Benefit payments, including refunds	<u>(1,626,244)</u>
Net change in total pension liability	770,557
Total pension liability, beginning of year	<u>25,914,564</u>
Total pension liability, end of year	<u>26,685,121</u>
Plan fiduciary net position	
Contribution - employer	773,230
Net investment income	1,000,478
Administrative expenses	(36,578)
Benefit payments, including refunds	<u>(1,626,244)</u>
Net change in plan fiduciary net position	110,886
Plan fiduciary net position, beginning of year	<u>16,115,516</u>
Plan fiduciary net position, end of year	<u>16,226,402</u>
Department's net pension liability	<u>\$ 10,458,719</u>
Plan fiduciary net position as a percent of total pension liability	60.81%
Covered employee payroll	\$ 2,862,491
Department's net pension liability as a percent of covered employee payroll	365.37%

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TRAVERSE CITY LIGHT AND POWER

**REQUIRED SUPPLEMENTARY INFORMATION
DEFINED BENEFIT PENSION PLAN
MERS SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2015**

Actual determined contribution		
Contribution in relation to the actuarially determined contribution	\$	770,572
		<u>(770,572)</u>
Contribution deficiency (excess)		<u><u>-</u></u>
Covered employee payroll		2,880,960
Contribution as a percentage of covered employee payroll		26.75%

Notes to schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	25 years
Asset valuation method	10 year smoothed
Inflation	3.50%
Salary increases	4.50%
Investment rate of return	8.25%
Retirement age	Varies depending on plan adoption
Mortality	50% female/50% male 1994 group annual mortality table

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

**SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (UNAUDITED)
LIGHT AND POWER FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Capital Assets - Cost			Balance at June 30, 2015
	Balance at June 30, 2014	Additions/ Transfers	Deletions/ Transfers	
Land and land improvements				
Land	\$ 1,065,565	\$ -	\$ -	\$ 1,065,565
Land - coal dock	248,023	-	-	248,023
Land improvements	82,103	-	-	82,103
Total land and land improvements	1,395,691	-	-	1,395,691
Buildings and improvements				
Distribution plant	4,340,829	-	-	4,340,829
Office structures	97,149	-	-	97,149
Other buildings	49,268	-	-	49,268
Total buildings and improvements	4,487,246	-	-	4,487,246
Equipment and distribution system				
Union St. Dam	24,010	-	-	24,010
Keystone plant	390	-	-	390
Wind generation unit	785,616	20,850	785,616	20,850
Transmission and distribution	62,507,718	1,854,999	368,801	63,993,916
General	960,957	221,402	153,641	1,028,718
Total equipment and distribution system	64,278,691	2,097,251	1,308,058	65,067,884
Construction in progress	1,712,092	4,713,995	1,382,951	5,043,136
Total	\$ 71,873,720	\$ 6,811,246	\$ 2,691,009	\$ 75,993,957

Balance at June 30, 2014	Accumulated Depreciation		Balance at June 30, 2015	Capital Assets - Net
	Current Depreciation	Deletions		Balance at June 30, 2015
\$ -	\$ -	\$ -	\$ -	\$ 1,065,565
-	-	-	-	248,023
-	-	-	-	82,103
-	-	-	-	1,395,691
1,347,495	131,621	-	1,479,116	2,861,713
10,054	1,226	-	11,280	85,869
11,377	1,770	-	13,147	36,121
<u>1,368,926</u>	<u>134,617</u>	<u>-</u>	<u>1,503,543</u>	<u>2,983,703</u>
22,030	715	-	22,745	1,265
373	12	-	385	5
427,196	10,445	436,702	939	19,911
21,844,413	1,901,049	298,750	23,446,712	40,547,204
459,932	111,102	122,012	449,022	579,696
<u>22,753,944</u>	<u>2,023,323</u>	<u>857,464</u>	<u>23,919,803</u>	<u>41,148,081</u>
-	-	-	-	5,043,136
<u>\$ 24,122,870</u>	<u>\$ 2,157,940</u>	<u>\$ 857,464</u>	<u>\$ 25,423,346</u>	<u>\$ 50,570,611</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

**SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (UNAUDITED)
FIBER FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Capital Assets - Cost			Balance at June 30, 2015
	Balance at June 30, 2014	Additions/ Transfers	Deletions/ Transfers	
Equipment and distribution system				
Overhead	\$ 1,049,106	\$ 33,952	\$ -	\$ 1,083,058
Underground	258,363	-	-	258,363
Termination boxes	365,883	-	-	365,883
Wireless equipment	51,725	-	-	51,725
WIFI system	-	501,720	-	501,720
Other property	44,178	-	-	44,178
Total equipment and distribution system	1,769,255	535,672	-	2,304,927
Construction in progress	73,641	462,031	535,672	-
Total	\$ 1,842,896	\$ 997,703	\$ 535,672	\$ 2,304,927

Balance at June 30, 2014	Accumulated Depreciation			Balance at June 30, 2015	Capital Assets - Net
	Current Depreciation	Deletions	Balance at June 30, 2015		Balance at June 30, 2015
\$ 295,827	\$ 53,304	\$ -	\$ 349,131	\$ 733,927	
68,252	12,918	-	81,170	177,193	
103,373	18,294	-	121,667	244,216	
15,516	2,586	-	18,102	33,623	
-	25,086	-	25,086	476,634	
24,427	4,418	-	28,845	15,333	
507,395	116,606	-	624,001	1,680,926	
-	-	-	-	-	
\$ 507,395	\$ 116,606	\$ -	\$ 624,001	\$ 1,680,926	

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
Operating revenues - sales			
Residential	\$ 6,600,000	\$ 6,612,011	\$ 12,011
Commercial	15,810,000	16,392,293	582,293
Industrial	10,770,000	10,788,926	18,926
Public authority	309,000	317,521	8,521
Street lighting	201,600	199,517	(2,083)
Yard lights	79,900	86,531	6,631
Total operating revenues - sales	33,770,500	34,396,799	626,299
Other operating revenues			
Forfeited discounts	58,000	73,522	15,522
Merchandise and jobbing	65,000	115,918	50,918
Sale of scrap	35,000	30,804	(4,196)
Recovery of bad debts	200	30	(170)
MISO income	2,461,000	2,481,500	20,500
Miscellaneous	36,500	45,016	8,516
Total other operating revenues	2,655,700	2,746,790	91,090
Nonoperating revenues (expenses)			
Rental income	45,000	49,046	4,046
Pole rental income	36,000	42,180	6,180
Reimbursements	353,600	143,048	(210,552)
Interest income	200,000	251,067	51,067
Change in fair market value of investments	-	59,202	59,202
(Loss) on sale of assets	(360,000)	(428,620)	(68,620)
Total nonoperating revenues (expenses)	274,600	115,923	(158,677)
Total revenues	36,700,800	37,259,512	558,712

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Generation expense			
Salaries and wages	\$ 100,600	\$ 104,905	\$ (4,305)
Payroll taxes and fringes	54,800	96,876	(42,076)
Wind generator - M-72 Traverse	-	60	(60)
Kalkaska combustion turbine	-	(2,776)	2,776
Purchased power	24,746,600	22,509,670	2,236,930
Coal dock	2,500	9,367	(6,867)
Trap and transfer	250	95	155
Union street fish ladder	250	-	250
Professional and contractual	95,000	113,124	(18,124)
Professional development	2,000	-	2,000
Operation supplies	3,700	2,706	994
Communications	500	1,084	(584)
Safety	5,000	2,201	2,799
Transportation	-	9,618	(9,618)
Equipment rental	7,000	8,243	(1,243)
Total generation expense	<u>25,018,200</u>	<u>22,855,173</u>	<u>2,163,027</u>

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
Distribution expense			
Salaries and wages	\$ 1,397,000	\$ 1,223,372	\$ 173,628
Payroll taxes and fringes	989,900	1,077,958	(88,058)
Substation	113,900	219,685	(105,785)
Overhead lines	160,000	160,495	(495)
Underground lines	50,000	33,519	16,481
Storm work	50,000	-	50,000
Electric meters	12,000	7,509	4,491
Street lighting	220,000	250,383	(30,383)
Traffic signals	70,000	4,120	65,880
Plant and structures	90,000	68,965	21,035
Professional services	95,800	122,274	(26,474)
Professional development	50,400	35,788	14,612
Operation supplies	271,000	153,020	117,980
Utilities	68,000	81,589	(13,589)
Safety	47,000	34,205	12,795
Transportation	37,400	29,496	7,904
Equipment rental	131,800	11,036	120,764
Inventory adjustment	-	12,687	(12,687)
Miscellaneous	6,500	4,828	1,672
Total distribution expense	3,860,700	3,530,929	329,771
Transmission expense			
Salaries and wages	216,200	288,744	(72,544)
Substation	23,600	13,725	9,875
Overhead lines	5,000	10,364	(5,364)
Load and dispatching	-	11	(11)
MISO	28,000	24,481	3,519
Miscellaneous	67,000	69,259	(2,259)
Total transmission expense	339,800	406,584	(66,784)

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2015

	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
Customer accounting expense			
Salaries and wages	\$ 166,700	\$ 152,304	\$ 14,396
Meter reading	103,500	123,206	(19,706)
Payroll taxes and fringes	135,900	166,873	(30,973)
Office supplies	4,500	2,110	2,390
Postage	34,000	27,799	6,201
Stationary and printing	5,500	482	5,018
Professional and contractual	29,000	17,764	11,236
Uncollectible accounts	30,000	37,912	(7,912)
Collection expense	2,000	2,595	(595)
Data processing	20,500	16,509	3,991
Professional development	7,000	320	6,680
Transportation	5,500	3,055	2,445
Equipment rental	-	11,455	(11,455)
Miscellaneous	8,950	6,308	2,642
Total customer accounting expense	<u>553,050</u>	<u>568,692</u>	<u>(15,642)</u>
Public service expense			
Salaries and wages	59,900	39,575	20,325
Payroll taxes and fringes	24,400	28,427	(4,027)
Public service information	718,500	445,300	273,200
Total public service expense	<u>802,800</u>	<u>513,302</u>	<u>289,498</u>

Continued

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
General administration expense			
Salaries	\$ 356,000	\$ 362,235	\$ (6,235)
Payroll taxes and fringes	163,000	195,384	(32,384)
Professional development	20,000	21,303	(1,303)
Professional and contractual	80,000	101,647	(21,647)
Office supplies	69,000	21,557	47,443
Fees and per diems	80,000	60,976	19,024
Special services	9,200	11,813	(2,613)
Legal fees	60,000	49,631	10,369
Utilities	4,500	5,030	(530)
Printing and publishing	6,000	3,436	2,564
Transportation	2,500	1,267	1,233
Miscellaneous	6,500	659	5,841
Total general administration expense	856,700	834,938	21,762
Other expenses			
Insurance - general	68,000	57,875	10,125
City fee	1,889,500	1,863,259	26,241
Depreciation	2,132,000	2,157,940	(25,940)
Total other expenses	4,089,500	4,079,074	10,426
Total expenses	35,520,750	32,788,692	(2,732,058)
Change in net position	\$ 1,180,050	\$ 4,470,820	\$ 3,290,770

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) FIBER FUND FOR THE YEAR ENDED JUNE 30, 2015

	Amended Budget	Actual	Positive (Negative) Variance
Operating revenues - sales			
Other sales	\$ 243,200	\$ 255,752	\$ 12,552
Non-operating revenues			
Reimbursements	5,000	296,122	291,122
Interest income	-	4	4
Total non-operating revenues	5,000	296,126	291,126
Total revenues	248,200	551,878	303,678
Fiber expenses			
Salaries and wages	30,960	49,165	(18,205)
Payroll taxes and fringes	20,930	35,167	(14,237)
Operation supplies	1,000	331	669
Overhead	3,000	4,085	(1,085)
Underground	1,000	-	1,000
Termination boxes	2,000	-	2,000
Customer installations	500	-	500
Professional development	2,000	-	2,000
Miscellaneous	11,400	12,461	(1,061)
Total fiber expenses	72,790	101,209	(28,419)
WIFI Expenses			
Operation and maintenance	-	23,225	(23,225)
Other expenses			
Insurance and bonds	1,100	1,161	(61)
City fee	12,160	12,788	(628)
Depreciation	90,000	116,606	(26,606)
Total other expenses	103,260	130,555	(27,295)
Total expenses	176,050	254,989	(55,714)
Change in net position	\$ 72,150	\$ 296,889	\$ 224,739



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Tim Arends, Executive Director
Date: January 7, 2016
Subject: Strategic Plan Presentation

Included in your packet is the proposed TCL&P Strategic Plan – 2016 (“Plan”) for your review.

Staff modified this year’s Plan format with the goal of providing more relevant information to the readers of the plan by creating two new sections called “Who We Are” and “Understanding the Current Utility Environment.”

Sections previously reported such as power supply makeup, governance, customer base, rates and financial health were modified and incorporated in the section called, “Who We Are.” Additionally, information from these sections will be transferred to the utility’s annual report as staff felt this was a more appropriate venue for that material.

The new section, “Understanding the Current Utility Environment” was created for the purpose of providing the readers an understanding of the issues the electric utility is now facing and will be in the future along with the impacts it will have on the utility.

Lastly, staff modified the objectives under the six strategic issues for the 2016 Plan and will be presenting those to the Board. The Plan will be brought back after Board input for consideration of adoption at the January 26, 2015 board meeting.



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

Traverse City Light & Power Strategic Plan



**TRAVERSE CITY
LIGHT & POWER**

Investing Our Energy In You

Introduction from the Executive Director

After successfully serving the City and surrounding areas for 103 years, the Board of Traverse City Light & Power (“TCL&P”) embarked on developing a new Strategic Plan (“Plan”) that could challenge the public power utility to exceed customer expectations while meeting the ever changing challenges of the electric utility industry. Safety, high reliability, low rates, transparency, exceptional customer service and communications are among the core values of the utility. This Plan was created with these basic core values always in mind.

The purpose of the Plan is to serve as a guiding document of the Board and utility staff and to support the vision and mission of the utility by achieving goals and objectives that enhance the value of the utility to its owners and the community it serves.

This Plan is the result of a very intense six month planning process facilitated by professional industry experts and the dedicated efforts of the Board, staff, and employees. The strategic plan process outlined in the diagram below also included obtaining invaluable information from the utility’s key account customers. The feedback gathered from these meetings allowed staff to better define the strategic direction of the Plan.

Going forward, the Plan provides a blueprint for strategic planning and goal setting into the future. Quarterly, the utility staff will report to the Board on its progress toward specific goals identified in the Plan. On an annual basis, staff and the Board will update the Plan to meet changes in the industry, economy, and to meet changes in customer needs and expectations. This annual review, as is required in the Strategic Plan Board policy, will enable the Plan to remain a relevant guiding document for TCL&P in this ever-changing utility industry.

Timothy J. Arends
Executive Director

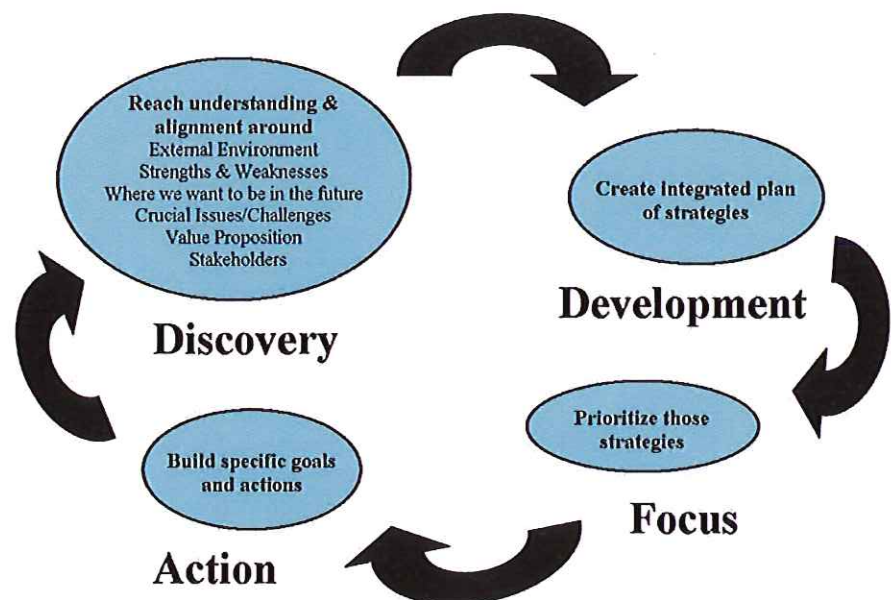


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 4.6 Customer Satisfaction Page 22

5. Conclusion Page 24

1. Who We Are

TCL&P prides itself on being a responsive and community-friendly electric utility. The core purpose of the utility is electric service, but has grown to provide traffic signals operation and maintenance, a complimentary downtown WiFi network, a dark fiber system and street lighting, all of which enhance the quality of life and make Traverse City a better place to live, work and play as exemplified in the utility's vision and mission statements:

- **Vision Statement**

“To build the long-term value of Traverse City Light & Power for the benefit of the City and its residents and all Traverse City Light & Power customers.”

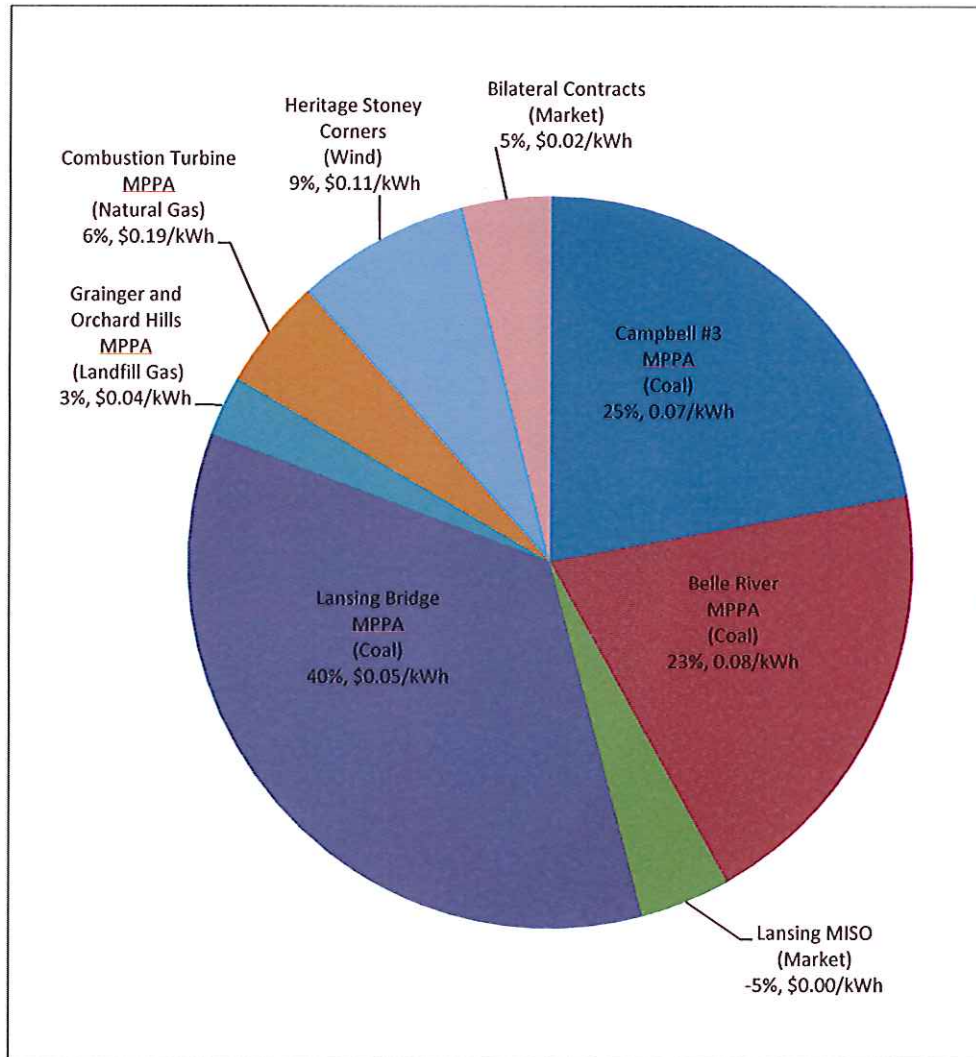
- **Mission Statement**

“The Mission of Traverse City Light & Power is to provide the Public Power benefits of safety, lower rates, high reliability, local control and exceptional customer service to the City and its residents and all Traverse City Light & Power customers.”

TCL&P provides electric services to Traverse City and part of the outlying areas in Blair, East Bay, Elmwood, Garfield, Paradise and Peninsula Townships. The utility distributes electricity to these areas through an electrical infrastructure system consisting of three transmission substations, approximately thirty-five miles of transmission lines, five distribution substations, two hundred miles of overhead distribution lines, one hundred and fifty miles of underground distribution lines, seven thousand poles and two thousand transformers. Recent capital projects, such as construction of new transmission and distribution substations and upgrade of two key transmission lines have been completed as the utility transitions to a looped system. The result of which is increased reliability for all customers.

Currently, TCL&P is a \$33 million operation with net assets of \$70 million. The largest portion of net assets is TCL&P's investment in capital assets that are used to provide service to customers. The utility currently has no outstanding debt issuances and remains financially strong. Operations are maintained with forty full-time equivalent employees.

TCL&P, along with other Michigan municipal utilities, is a member of Michigan Public Power Agency (“MPPA”). The Agency was formed to acquire interest in certain electric generating plants and related transmission lines to service its members. TCL&P is able to provide reliable electric service through a diversification in purchase power contracts and ownership in various sources, a majority of which are with MPPA, as shown in the graph below.



As of fiscal year-end, June 30, 2015 the utility served an average of 12,465 customers and sold 319,687 mega-watt hours (“MWH”) of electricity. 75% of the utility’s customers are residential that provide 20% of the utility’s revenues; conversely, 25% are commercial customers that provide 80% of the utility’s revenues. An average residential customer uses 533 kWh per month, which equates to a monthly bill of \$57.84. In 2015, TCL&P surveyed the rates of forty-one utilities in Michigan, and ranked seventh lowest for residential, twenty-third lowest for small commercial, and eleventh lowest for large commercial.

Our residential, commercial and industrial customers enjoy reliable power at low rates because we are a community-owned not for profit public power utility. Public power is a collection of more than 2,000 community-owned electric utilities that serve over forty million people or about 15% of the nation’s electricity consumers. Public power utilities are operated by local governments to provide communities with reliable, responsive, not-for-profit electric service. Public power utilities are directly accountable to the people they serve through local elected or appointed officials.



TCL&P is governed by a Board of Directors which was created in 1979 as a discrete component unit of the City of Traverse City and is referred to in the City Charter as a Department. A separate board was created to manage all aspects of the utility, with the City Commission approving its budget.

The TCL&P Board is a seven member board appointed by the City Commission, plus one non-voting ex-officio member, the City Manager. At least five of the seven members are non-commissioner members with five year alternating terms. One of the five may be a non-city

resident, but must be a TCL&P customer. As part of the seven member Board, at least one member, but no more than two, must be a City Commissioner that serves a two year term.

In addition to the utility's budget the City Commission approves the six-year capital improvements plan, authorizes bond issues, ordinance change requests, agreements that directly impact the City, and provides for the utility's vehicle fleet needs through the Garage Internal Service Fund.

Local control, low rates and reliable service are the key pillars to providing the benefits of public power to the utility's customers and TCL&P looks forward to serving its customers with these principles for many years to come.

2. History

In the early 1900's, as demand for electric power grew in Traverse City, competition to meet this demand grew as well. The Queen City Light & Power Company was in operation only a few short years as a direct competitor to Boardman River Electric Light and Power Company. In September 1912, the City of Traverse City purchased Queen City Light & Power for \$150,000. The purchase included sixty acres at Keystone and the property and flowage rights seven miles upstream including the Brown Bridge Dam area and pond. The new power company was known as the Traverse City Municipal Light and Power Department, known today as Traverse City Light & Power Department.



In the early days of TCL&P working conditions were challenging. Linemen camped in tents and worked with teams of horses to haul poles into place. Holes were dug by hand using picks and shovels. Linemen had to manually combat the elements, especially in winter.

Attracting new commerce to the Grand Traverse area required reliable and plentiful electric power. In 1920, the Traverse City Chamber of Commerce had to pause its efforts in pursuing new businesses because of the lack of such power. Fortunately, in 1921, the construction of Brown Bridge Dam began. Once completed in 1922, the dam produced reliable energy for TCL&P for the next eighty years.



In 1928, the first steam turbine was added to the Traverse City Waterworks building, which became the site of TCL&P's coal-fired Bayside Power Plant.

In 1937, TCL&P celebrated twenty-five years of supplying electricity to Traverse City. During this time, growth had continued to drive electric demand. A second steam turbine was installed in the Bayside Power Plant with an additional capacity of 1,000 kilowatts; the largest at that time and necessary to keep Traverse City growing and thriving.

In 1948, an \$850,000, five-year expansion program for the Bayside Power Plant was approved. This new capital would allow TCL&P to purchase new equipment to increase generation capacity. Throughout the late 40's and 50's, TCL&P added new and more powerful generators, opening the way for more growth and prosperity for the Traverse City area.

Other milestones and events occurred that would further impact the delivery of electricity to Traverse City residents and businesses. In 1950, Consumers Power Company purchased all assets of the Michigan Public Service Company. In 1961, the Keystone Dam washed out due to heavy rains and extensive flooding of the Boardman River. That dam was never rebuilt.

In 1964, the city explored the possibility of expanding the Bayside Power Plant at a cost of \$3.5 million. In 1965, voters approved the expansion by an over 2-to-1 margin and construction began. In 1967, the Bayside Power Plant expansion was completed. The peak of the new addition was almost ninety-nine feet; roughly the height of the top of the historic Park Place Hotel. The height was necessary to house the overhead coal conveyor and handling system.

During the blizzard of 1977, work crews had to brave snow depths of eighteen inches and more to restore power. Fortunately, because TCL&P had locally generated power, TCL&P customers had plenty of power for their consumption needs during that tough winter, while other major Midwest utilities had to ask customers to cut down on their consumption. The utility hit a lifetime peak production of 22,200 kilowatts on January 19, 1977.



In 1976, as the electric utility industry and how it operated had become more complex, the City Commission established an ad hoc committee to study the advisability of establishing a separate TCL&P Board. In January 1977 the ad hoc committee submitted its recommendation to create a two-year TCL&P Advisory Board which was approved by the voters in April 1977. In 1979 the TCL&P Advisory Board submitted a draft charter amendment to the City Commission, a public hearing was held, and the City Commission approved putting the draft charter amendment on the next ballot. After much analysis and public input, the voters approved the creation of the TCL&P Board on April 2, 1979.

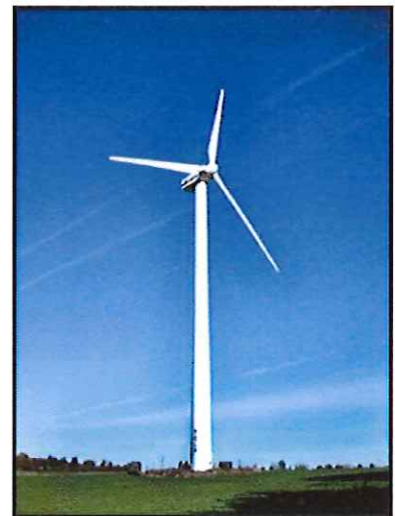


In 1981, the Department of Natural Resources (“DNR”) and TCL&P began discussing the development of a Fish Management Plan for the migratory fish, primarily salmon, that ran up the Boardman River each fall. After numerous meetings and approvals of the City Commission, the Michigan DNR, the Natural Resources Committee and the TCL&P Board, the Boardman River Trap and Transfer Harvest Facility was approved. The facility, located east of Hall Street, was completed in 1987.

In 1988, TCL&P held its first annual tree seedling giveaway at the Bayside Power Plant in celebration of Earth Day.

Seedlings were given away to customers and local community groups.

1996 was a major milestone year for TCL&P. The utility, long committed to exploring renewable energy sources, pioneered the first utility grade wind turbine in Michigan. The turbine was installed on M-72 and was, at the time of installation, the largest utility grade wind turbine in the United States.



Prior to the installation of the M-72 wind turbine, TCL&P developed the Green Rate. This rate allowed customers to voluntarily pay more on their monthly utility bill. The money collected went towards paying for the wind turbine, thereby supporting renewable energy. The Green Rate was the first of its kind in the country and is now used as a model nationwide.

As the new millennium approached, TCL&P was on the cusp of significant changes and innovations. In 2002, TCL&P, along with four other municipal electric utilities, participated in the Michigan Public Power Agency’s natural gas-fired combustion turbine project in Kalkaska, MI. The project continues to provide reliable energy to the electric grid during peak demand times in the summer and winter months.

In 2005, the Bayside Power Plant (located in Traverse City’s “Open Space” on West Grand Traverse Bay), which had been relegated to a lesser role of peak power support, was removed. Parts of the plant were sold to a Honduran company that planned to reassemble the power-generating portion of the plant in Guatemala.

In the fall of 2006, the license to generate electricity at the Boardman, Sabin and Brown Bridge dams was surrendered to FERC. The Brown Bridge Dam was removed in 2013 with plans to also remove Sabin and Boardman dams in the near future.

In response to Michigan Public Act 295 legislation, in 2009 TCL&P contracted to purchase all generation output from five, two-megawatt wind turbines located in McBain, MI. In the fall of 2010, when all five turbines were operational, TCL&P had the highest percentage of renewable generation to total generation of any utility in Michigan.

Also in 2010, stemming from TCL&P's announcement to construct a biomass generation facility, a ballot proposal was approved by voters to amend the City Charter to provide that any decision to build or acquire a power generation facility shall be subject to a referendum of city resident voters.

In 2012, TCL&P celebrated its 100th Anniversary. TCL&P's focus remains much the same as it has over its many years of service, providing customers with safe, reliable and affordable electricity.



In March of 2012, TCL&P experienced one of the worst winter storms in the utility's history. At the peak of the storm, approximately 8,000 of TCL&P's 11,500 customers experienced outages. Due to the extent of the storm, TCL&P enacted a mutual aid agreement to request assistance from other electric utilities to help in the restoration effort. This was the first time in utility history that TCL&P requested mutual aid. Crews from Lansing Board of Water & Light, Grand Haven Board of Light & Power, Zeeland Board of Public Works, Lowell Light & Power, Trees Inc. and NG Gilbert responded and provided

assistance. All TCL&P customers were restored within three days of the initial storm while some customers in the surrounding areas experienced outages for more than one week.

In the spring of 2013, TCL&P partnered with Cherryland Electric Cooperative to offer the first Community Solar Project in Michigan. The project allowed TCL&P customers to purchase a SUN Share (one solar panel) in the project and receive a monthly bill credit equal to the amount of energy produced by their share. In addition to the project being the first in the State of Michigan, it was also the first such partnership in the United States between a municipal and cooperative utility.

Also in 2013, after 18 years in operation, the TCL&P Board approved the decommissioning of the TCL&P wind turbine located on M-72 after a series of mechanical failures and unsuccessful attempts to repair the unit.

In December of 2014, TCL&P signed over ownership of the M-72 wind turbine to Heritage Sustainable Energy, LLC, owners of Stoney Corners Wind Farm in McBain, MI and entered into a Power Purchase Agreement to buy the output of the turbine.



In April 2014, TCL&P collaborated with the Downtown Development Authority ("DDA") to provide a complimentary WiFi internet service to the public within the DDA's jurisdiction. The DDA desired to have this secure municipal network to provide electronic parking services. TCL&P is responsible for installing and maintaining the WiFi system with the DDA reimbursing TCL&P for the costs. TCL&P will be fully reimbursed in 2025.



Rod Solak, TCL&P Line Superintendent, pictured center with Kenneth Stone, energy services and accounting manager at Braintree Electric Light Department of Braintree, Mass., (L) and Mike Hyland, APPA senior vice president of engineering services (R).



In February 2015, TCL&P received the prestigious RP3 platinum designation by the American Public Power Association (“APPA”). RP3 is APPA’s program to encourage public power systems to demonstrate basic proficiency in four important disciplines: reliability, safety, workforce development and system improvement. TCL&P had previously been awarded the gold designation in 2013.

On Sunday, August 2, 2015, a severe storm caused widespread outages to approximately 5,000 TCL&P customers. Due to the extent of the damage done to TCL&P’s electrical system, and the number of customers without power, TCL&P immediately called for mutual aid assistance from partnering utilities. Lowell Light & Power, Marquette Board of Light & Power, Lansing Board of Water & Light, Grand Haven Board of Light & Power, Zeeland Board of Public Works and Penn Line Service responded to the mutual aid request and assisted TCL&P for several days. A majority of TCL&P’s customers had power restored by August 7, with the remaining handful needing the assistance of an electrician to complete power restoration. During the restoration process, TCL&P, and the multiple mutual aid crews, did not experience any safety incidents.

3. Understanding the Current Utility Environment

The energy landscape and traditional utility service delivery model is changing as a result of the emergence of new products, services, technologies, evolving workforce and increasing regulation.

Today’s customers covet instant and constant communication. These communications cover real time information regarding outages, consumption patterns and billings. Customers look to the utility to provide this information through a wide variety of channels such as social media, phone apps, e-newsletters and text messaging. It is the expectation of the customer that these value added benefits will be provided at no cost.

Offering these new technological communication avenues does come at an additional cost to the utility due to software, staffing and subscription fees. TCL&P’s current customer base is comprised of a large generational spread which requires the utility to maintain the traditional customer service model while also meeting the demands of new customer preferences.

Not only are customers seeking information regarding their electrical use, they are also wanting to take charge of their usage. For TCL&P today, it is becoming more common that the utility receives requests

from customers to install and generate their own power at a financial benefit to them. With the installation of a customer owned system, the traditional service the electric utility provided, which served as the primary feed, is now becoming the customer's secondary source for electric power.

TCL&P's distribution system was not designed to accommodate multiple distributed generation sites. These sites will impact the reliability of the system in having generation feed into the grid at multiple points. This creates the need for TCL&P to invest time and money in additional capital system upgrades to ensure the same level of reliability for all customers. Regardless of these distributed generation sites, TCL&P still has to maintain the system's infrastructure assets (substations, poles, transmission and distribution lines, etc.) for those customers when called upon as the secondary source. The cost of maintaining that infrastructure needs to be passed onto the customer irrelevant of their use. While the utility has to address the current customer desire for distributed generation, TCL&P must also plan for the next era. Energy storage is on the horizon and the utility expects it will have similar system and financial impacts that TCL&P is experiencing today with distributed generation.

Just as customers are evolving, so is the utility's workforce. TCL&P faces significant changes as 24% of the experienced workforce are eligible to retire in the next five years. Emerging technologies will also change the nature of utility operations, requiring new investments and training requirements. As a result of these trends, public power utilities will need to attract the next generation of workers with new skills, and must be able to offer career opportunities for current and incoming workers interested in technology, innovation, and customer service.

TCL&P will be required to develop resources to address workforce challenges, attracting and retaining new people to the industry, succession planning including knowledge transfer from departing employees and training for new employees in relevant areas, including new technologies and services.

Advancements in technology are driving change within the electric utility industry, specifically the amount of data technology is able to provide to the utility. The volume of data created by technology offers tremendous opportunities to mine both customer and operational related information.

Effective mining of this data can enhance preventative maintenance and storm response capabilities. However, it requires significant storage abilities and data analytics tools in order to use this information for proper decision making.

Technology also brings the need for defense against cyber security threats. The threat landscape continues to evolve and become ever more challenging, requiring constant attention and appropriate adjustments to the utility's defense strategy. In addition, there are many legislative and political challenges that require the attention and engagement of the utility.

In addition to the political challenges technology creates, there is also uncertainty among utilities regarding the federal and state legislative direction including many issues such as EPA's clean power plan, tax exempt financing, renewable energy, energy optimization, net metering, right to serve and customer choice.

The utility has already been impacted by past legislative actions including Public Act 295 which was signed into law on October 6, 2008. The Act, known as the Clean, Renewable and Efficient Energy Act, established a Renewable Energy Standard for all utilities in the State of Michigan. This Renewable

Energy Standard requires Michigan electric providers to achieve a retail supply portfolio that includes at least 10% renewable energy by 2015. Another large impact to the utility caused by federal regulations is the decommissioning of various coals plants within the state of Michigan. The utility has already made steps forward and continues to be proactive in planning for potential generation replacement. As it has in the past, meeting future mandates could financially impact the utility. But with proper planning and involvement with the legislative process, TCL&P hopes to mitigate the financial risks.

4. Strategic Issues

At the beginning of the strategic planning process, the Board and staff participated in focused planning sessions to identify the top priorities of the utility now and into the future. Below is a summary of the six Strategic Issues that were identified through this process. In the following pages, each will be discussed further to show how the Strategic Issues impact the utility.

- Financial Stability
- Power Supply Strategy
- System Reliability & Power Quality
- Technology
- High Quality Workforce
- Customer Satisfaction

4.1 Financial Stability

Financial stability is an important strategic issue because it is the function that allows the possibility for the goals to be achieved in every other strategic issue. It is not the sole function, but one that is necessary. Additionally, with management being financially responsible and transparent of its operations, it ensures the public's trust to continue with the strategic plan goals set forth by management and approved by the Board. The areas focused on for this strategic issue include:

- Provide transparent communications on the financial health of the organization.
- Maintain the public's trust by being accountable at all levels of management.

The Operating Strategy for Financial Stability is to:

“Maintain positive operating cash flows and adequate capital reserves to sustain the financial health of the utility.”

Four main Business Goals were identified to sustain and improve TCL&P's Financial Stability:

- 1. Enhance quarterly financial reporting to the Board and public (on-going).**
Providing the Board with easy to understand quarterly financial statements and Capital Plan and Strategic Plan progress reports will allow for educated and well informed decision making that will positively impact the future of the utility.
- 2. Develop a board policy to provide guidance as to the appropriate utility contribution for city projects above the Charter required annual contribution.**
Staff is working with the Ad Hoc Board Committee and an outside consultant to develop a survey to gather feedback from customers to be used in the development of a policy. This policy should provide the Board guidance on evaluating utility requested contributions to various city projects that will take into consideration cash availability, rate considerations, and the appropriateness of the contribution based on the type and extent of the request.

- 3. Review current workplace flows for efficiency enhancement through new developed process and procedures that will provide a proper planning environment and execution process for utility projects (on-going).**

Workplace flows at times may become complacent and it is beneficial for staff to hold brainstorming sessions to develop new processes and procedures that will lead to efficiencies within the organization. Included within the brainstorming sessions, staff will develop and implement a plan to incorporate the newly developed processes and procedures and continually monitor on an annual basis for improvement.

- 4. Develop and implement rate structures to promote financial stability while keeping in mind the impacts of environmental regulations, increased energy efficiency and distributed generation.**

The electric utility industry is in a new era of EPA regulations causing aged coal plants to be decommissioned, increase in energy efficiency programs along with new and improved technologies (renewable generation and battery storage) installed at the customer level reducing the overall customer usage and demand. Additionally, the utility may be incorporating new technologies such as AMI that allows for significant data collection for multiple benefits (energy efficiency, demand side management, distribution network management, improved data quality and accurate billing). Even with all of these impacts, the utility will be committed in providing competitive and equitable rates to their customers.

4.2 Power Supply Strategy

Power Supply Strategy is an important strategic issue because it represents 70% of TCL&P's operating costs and impacts Traverse City's local economy through the utility's rate structure. With industry experts providing knowledge to the Board and staff through planned education sessions, the utility is able to make knowledgeable decisions regarding TCL&P's power supply future. Having a diverse portfolio and implementing state and Board requirements, including energy efficiency and renewable energy, allows the utility to be in regulatory compliance while not at major risk with only one fuel source. The areas focused on for this strategic issue include:

- Manage load growth through energy efficiency programs.
- Create a diversified cost-effective generation portfolio.

The Operating Strategy for Power Supply Strategy is to:

“Ensure sufficient power supply in a fiscally responsible manner.”

Three main Business Goals were identified to sustain and improve TCL&P's Power Supply Strategy:

- 1. Implement recommendations from the Energy Optimization Program Planning Report that are in the best interest of the utility to achieve energy savings that manage load growth and are aimed at reducing on-peak demand, while also exploring other opportunities that may achieve the same results, but are not outlined in the report.** Knowing that *“the lowest cost energy is the energy that is saved,”* TCL&P has developed a plan outlining opportunities that have the biggest impacts on the utility and make financial sense. The utility will continue to focus special efforts on ways to optimize energy efficiency program offerings that directly manage load growth, therefore reducing the amount of capacity needed and reducing or shifting on peak demand to off peak.
- 2. Implement recommendations from the IRP report (on-going).**
The IRP will be updated with the latest actual information and review and update recommendations for power supply purchases going forward. The utility will continue to work through the Michigan Public Power Agency to strategically structure purchases to allow for flexibility while insulating customers from the volatile power market.
- 3. Investigate generation opportunities that complement the power supply mix.**
In combination with the state's new energy plan, the utility will work with the Michigan Public Power Agency in evaluating future power supply opportunities that provide stability in rates, while diversifying the power supply portfolio of the utility.

4.3 System Reliability & Power Quality

System reliability is the utility's plan that will help analyze and select system improvement projects based on a rating system of several criteria to increase the utility's reliability. TCL&P will be working closely with other city departments, utilities, and customers in order to maximize the effect of the project with joint construction efforts. The areas focused on for this strategic issue include:

- Enhance and develop new system maintenance programs.
- Define and implement system improvement strategies.
- Improve communication processes with customers, other utilities and city departments.

The Operating Strategy for System Reliability is to:

“Take a proactive approach to maintain a high level of system reliability in a cost effective manner.”

Four main Business Goals were identified to enhance TCL&P's System Reliability & Power Quality throughout the electrical system:

- 1. Annually review, enhance and develop system maintenance programs ensuring Average Service Availability Index (“ASAI”) remains above 99.970%. (on-going)**
ASAI is the ratio of the total number of customer hours that service was available during a given time period to the total customer hours demanded (in 2014 it was 99.989). TCL&P plans to continue with its circuit rehabilitation program in 2016 with circuit BW-31. TCL&P has begun to implement inspection programs throughout the system from poles to pad mount cabinets. This data will be used as criteria within the rating system to determine which areas are in most need of maintenance.
- 2. Develop a rating system to prioritize capital system improvements, to be updated annually.**
This system will be utilized annually in the utility's capital improvements project planning process. The system will help staff and the board prioritize projects over the next six years with the goal of increasing system reliability, accessibility and power quality to TCL&P customers.
- 3. Coordinate construction projects between TCL&P, other city departments, and other utilities (on-going).**
TCL&P will continue to work with City departments through the City's annual capital improvements process in coordinating City and TCL&P capital projects. This coordination will create efficiencies and less inconvenience to ratepayers through the construction process. TCL&P will also work with other area utilities such as cable and telephone to coordinate projects. This is especially important when it comes to undergrounding as available right-of-way is limited in some areas. It is a priority of TCL&P to maintain communications with affected customer through e-newsletters, neighborhood meetings, direct mailers or door hangers regarding upcoming projects and throughout construction.

4. Formalize written switching and tagging procedures.

Switching and tagging procedures are a written set of instructions used to de-energize, energize or transfer load between equipment and or substations. Following these written instructions minimizes the risk of unnecessary outages, damage to equipment and helps ensure the safety of employees involved. Formalizing these procedures will ensure completeness and uniformity in the preparation of switching orders as well as the actual switching and tagging conducted in the field.

4.4 Technology

Technology plays a valuable role within all strategic areas and is at the forefront of the electric utility. In recent years, technical innovation has become a leading factor in modernizing the face of the electric utility by creating efficiencies within all aspects of the business. Therefore, it is necessary to embrace technology as a strategic issue. The areas focused on for this strategic issue include:

- Ensuring security for the integrity of the utility.
- Implementing energy efficiency technologies.
- Maximizing operational efficiencies.
- Enhancing communications.
- Keeping abreast of future technology opportunities.

The Operating Strategy for Technology is to:

“Embrace technologies for the benefit of the customers and community.”

Seven main Business Goals were identified to sustain and improve TCL&P’s Technical efficiencies:

- 1. Enhance video security monitoring at TCL&P’s facilities by spring of 2016.**
TCL&P will install video monitoring systems at several of its substations and other facilities and has identified several benefits. Remotely monitoring substation access provides increased safety benefits for the crews that need to work in these potentially hazardous locations. It also will provide enhanced security to TCL&P’s primary assets by being able to monitor the locations 24/7.
- 2. Implement a new work order management system by April of 2016.**
TCL&P will implement a new web-based work order management system to update or replace its current work order management system. Implementing a system that crews can utilize in the field will increase efficiencies by allowing for instantaneous data access and updates. This will provide better metrics for improved efficiencies in project planning, reporting, billing and crew management.
- 3. Full implementation of MilSoft’s Engineering Analysis Program.**
After successfully completing a rollout of Milsoft’s Outage Management System, continued progress is underway to complete a full implementation of Milsoft’s Engineering Analysis Program. Currently, the modeling portion is scheduled to be completed by June of 2016. Full production use by staff will begin immediately following.
- 4. Update the utility’s Supervisory Control and Data Acquisition (SCADA) System to current technology by the end of 2016.**
The new SCADA systems are designed from SQL database and web-based deployment and are much more convertible than the existing system TCL&P has today. Integrating the current SCADA technology ensures that as system updates and advances in functionality are needed TCL&P will be able to accept those updates seamlessly.

5. Implementation of the Advanced Metering Infrastructure (AMI).

TCL&P is looking to deploy an AMI network. There are many different reasons and benefits that a utility would look to gain in doing an AMI project. The Board and staff are currently in the process of educating themselves regarding the benefits of this technology and its appropriateness for TCL&P in advancing the strategic plan objectives.

6. Safeguard the utility from cyber threats to stay current with industry standards (on-going).

The cyber security threat environment is one that is constantly changing and evolving rapidly. The Federal Energy Regulatory Commission (FERC) and National Electric Reliability Commission (NERC) have guidelines and standards to follow for cyber threats. By following these guidelines TCL&P will maintain an electric system that is highly reliable against cyber intrusions that could affect TCL&P customers. On the business side, examples of cyber threats include data theft, denial of service attacks, website defacement and customer information disclosure or privacy breaches. On the operations side, cyber threats could target the generation and delivery of power. The greatest threat to electricity delivery is a sophisticated and coordinated cyber-physical attack on the operations side aimed at causing regional power outages. TCL&P will continue to adapt and follow guidelines provided by NERC and FERC to ensure system reliability.

7. Effectively implement technology that will communicate pertinent utility information with customers (on-going).

The utility will continue utilizing technology as a means of effectively getting information out to customers. Smart Phone applications and mass texting capabilities that notify customers regarding outages, weather and utility payment scams will be the focus in 2016.

4.5 High Quality Workforce

TCL&P recognizes the value and importance of employees who are an essential component to the successful operations of the utility. Promoting and encouraging a high quality workforce needs to continue and strengthen in order to ensure that TCL&P provides excellent service to its customers and community. The areas focused on for this strategic issue include:

- Maintain a safe work environment through collaborative efforts between management and the union.
- Foster a work environment that encourages professional development for the betterment of the organization.
- Ensure the organization's efforts attract and retain qualified candidates.
- Communication throughout the organization that will allow for transparency, accountability, trust and respect amongst management and union employees.

The Operating Strategy for High Quality Workforce is to:

“Create and maintain an organizational culture that empowers and educates employees with the end result being a safe, motivated, and highly skilled workforce.”

Four main Business Goals were identified to sustain and improve the quality of TCL&P's workforce:

1. **Continue engaging in efforts towards employee professional development and performance management in order to ensure that the workforce has the knowledge, skills and abilities to evolve in their positions and are accountable in the work being performed (on-going).**
The utility will continue to foster a work environment that encourages professional development, but at the same time stresses accountability in work performance. Management will work with the union to formalize a succession plan that will allow for successful internal growth within the union positions, while adhering to stipulations outlined in the Collective Bargaining Agreement. This will be in preparation for upcoming negotiations in spring 2017. Included in this framework will be implementation of an employee evaluation method that will assist in determining succession opportunities and eligibility by measuring an employee's performance and development needs.
2. **Align work tasks, processes, and knowledge and skill requirements with both current and future needs of the organization.**
The operations of the utility have and will continue to evolve in the future. It is imperative that the duties, knowledge and skill level requirements of each position match the needs of the utility. Therefore, a complete review and update of all positions along with a wage study will be performed in preparation for negotiations set to begin in early spring 2017.

- 3. Continue to engage employees on issues facing the utility through communication efforts that are transparent and effective (on-going).**

TCL&P will continue to enhance the techniques used to communicate information internally throughout the organization. In addition to more traditional approaches, technology has and will continue to be utilized which will require ongoing training of employees.

- 4. Continue to promote employer and worker awareness of, commitment to, and involvement with safety to affect positive change in the workplace culture through cooperative efforts and strong leadership (on-going).**

The Safety Development Plan was the first step in providing the framework focusing efforts on developing and implementing safety going forward. Staff will continue to use the actions and objectives identified in this Plan, however, the 2016 calendar year will result in additional programs and processes that will further encourage a culture of safety by engaging employees through participation and awareness efforts that act as a reminder to be safe in and out of the workplace.

4.6 Customer Satisfaction

Although Customer Satisfaction is affected by all of the previous Strategic Issues identified in this Plan, there are many ways for the utility to encourage, track, and modify the way services are provided to customers that will assist in striving for a high level of customer satisfaction. The areas focused on for this strategic issue include:

- Maintaining a high level of customer service.
- Improving current and developing new communication avenues with customers.
- Providing a variety of value-added programs to customers.
- Strengthening partnerships for the betterment of the community.
- Ensuring lowest rates possible while meeting customer expectations.

The Operating Strategy for Customer Satisfaction is to:

“Sustain and improve the utility’s goodwill to all customers by going the extra mile.”

Five main Business Goals were identified to sustain and improve TCL&P Customer Satisfaction levels:

- 1. Maintain a customer satisfaction rating above 95%.**
The utility will continue to enhance efforts to ensure customers are satisfied with the services provided by the utility. Measurement of our efforts will be done using a variety of methods that may include extensive community wide surveys done every three to five years, automated phone surveys following customer service representative interaction and quick outage surveys done on a quarterly basis. Additionally, TCL&P will provide training opportunities for employees on effective customer service practices.
- 2. Maintain customer rates lower than other utilities in the area (on-going).**
It has been communicated to staff by the Board that it is important to keep rates low when compared to other utilities within the local area as this is an important benefit of being a public power utility. TCL&P will measure the utility’s success in this area by completing a biennial rate survey of utilities throughout the state, and by completing a cost of service study no less than every five years to be used for a rate analysis. If this goal is not achievable or financially feasible, an explanation will be provided to the board and the operations or the goal will be revised.
- 3. Enhance the utilities communications efforts and community involvement by implementing the Communications Strategy.**
TCL&P will continue to implement the communication channels outlined in the Communications Strategy. 2016 efforts will not only comprise ongoing efforts of community outreach, such as school presentations and demonstrations, but will also result in the finalization of the Welcome Packet for new customers.
- 4. The utility will begin to formulate a plan to address the evolving needs of its customer.**
Utilities of the future need to be more than just a provider of energy. They need to provide the tools necessary to empower the customer to be in charge of their energy future. This plan will

include program options, implementation of technology outlined in the Technology Strategy and the timeframes for completion.

5. Continually evaluate and implement services focused on assisting the unique needs of the utility's key account and critical service customers.

Key account and critical service customers represent some of the utility's largest consumers and most impactful from a community service standpoint. Although all customers are of value to TCL&P, the distinct needs of this customer group require additional attention from staff due to the level of electrical consumption and the economic impact of their business on the greater community. Specific programs will be analyzed and implemented to assist these customers to successfully do business in the Traverse City region.

5. Conclusion

The fundamental purpose of TCL&P's strategic planning process was to identify, consider and act on the internal and external issues that are expected to have the greatest influence on TCL&P's ability to successfully achieve its vision and mission in the future.

Staff will provide quarterly updates to the Board on its progress towards implementing and/or achieving the identified goals. As the utility moves forward, this Plan will be used as a guide for future strategic planning.



Annually, the Board and staff, through the budgeting process, will review and update the Plan as necessary to reflect changing Board and customer expectations of its public power utility. The utility must stay in-tune with the evolving electric industry, economic conditions, and customer expectations. The strategic issues of today including financial stability, power supply strategy, system reliability and power quality, technology, high quality workforce, and customer satisfaction may not be the strategic issues of the utility in the future.

It is the intent of TCL&P staff and its Board that this Plan be modified from time-to-time to remain relevant and useful in managing the utility.

TCL&P has a very long and proud history of serving the electrical needs of the Traverse City community. The utility looks forward to implementation of this Plan for the betterment of the City of Traverse City, its residents and all TCL&P customers.



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tim Arends, Executive Director
Date: January 7, 2016
Subject: Six Year Capital Improvements Plan - 2016

Included in your packet is a first draft of the Six Year Capital Improvements Plan – 2016 (Plan) that will be discussed at your meeting on Tuesday. Staff, with assistance from GRP Engineering, City Engineering and City Planning has put together what it believes are the priorities of the utility in the coming years based on the previously approved Plan and projects that have surfaced over this past year.

Included with this Plan is a preliminary cash flow analysis that will be updated as staff progresses through the budget process. However, staff knows the importance of this document to be used as a tool for the Board to make decisions on approving the Plan. Even though this document is preliminary, staff feels it provides enough evidence to the Board there will be sufficient funds to cover the proposed Electric Utility capital projects.

Staff will plan to incorporate all ideas and suggestions (supported by the majority) into the Plan by the following board meeting for a final Plan to the Board for its consideration of approval. This will allow TCL&P's capital projects to be incorporated into the City's overall capital plan for Planning and City Commission review and approval. Additionally, it will allow for a more focused review of the proposed budget by separating the review of these two vital guiding documents.



SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2016

GENERATION:

Community Solar Garden Phase II

Location: Local solar generation located at NMC Automotive Technology Building located in the Airport Industrial Park

Character: Free standing solar panels

Extent: Installation of solar panels to provide up to 30 KW of generation.

Estimated Cost: \$80,000 – Amount to be recovered through customers purchasing Sun Shares in the project

Fiscal Year(s): 2016-17

DISTRIBUTION and SUBSTATION:

Line Improvements, Extensions, and New Services

Location: Throughout the entire service area

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

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

Estimated Cost: \$6.45 Million

Fiscal Year(s): 2016-17 through 2021-22 (Annual Program)

Distribution Circuit Rebuild

Location: Throughout the entire service area. In 2016-17, BW-31 circuit, which includes the commercial corridor North of Eighth Street between Barlow Street and Garfield Avenue ending at Peninsula/Center Road will be completed. Future projects have been evaluated and currently the planned replacement schedule for future years are HL-21, PC-32, HL-33, CD-30 and HL-22 circuits.

Character: Replace deteriorated overhead/underground facilities with new wire, conduit, poles, etc. to include conversion of overhead facilities to underground as appropriate.

Extent: New circuits and upgrade of existing circuits to improve reliability and serve anticipated growth to include undergrounding facilities as appropriate.

Estimated Cost: \$4.975 Million

Fiscal Year(s): 2016-17 through 2021-22 (Annual Program)



SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2016

DISTRIBUTION and SUBSTATION (continued):

Overhead to Underground Conversion Projects

Location: Throughout the entire service area

Character: Conversion of overhead distribution facilities to underground.

Extent: Annual Program for approved projects. In the upcoming year, the focus area will be Orchard Heights Neighborhood.

Estimated Cost: \$4.275 Million

Fiscal Year(s): 2016-17 through 2021-22 (Annual Program)

Substations Switching Stations

Location: Parsons and Barlow Substation

Character: Addition of switching equipment to allow for switching load on the looped transmission system for increased reliability.

Extent: Installation of substation infrastructure and equipment.

Estimated Cost: \$3.17 Million

Fiscal Year(s): 2017-18 through 2018-19

Recloser Upgrades

Location: Barlow and Parsons Substation

Character: Upgrading recloser equipment already located at the substation to allow for reconfiguration of distribution systems and maintaining reliable service in the event of a fault.

Extent: This is a one-time occurrence of equipment upgrade.

Estimated Cost: \$166,000

Fiscal Year(s): 2016-17 through 2017-18

High Pressure Sodium to (LED) System Replacements

Location: Throughout the entire utility service area

Character: LED yard light replacements.

Extent: Removal of any old high pressure sodium yard lights and replace with LED lights.

Estimated Cost: \$215,000

Fiscal Year(s): 2016-17

Pole Replacements (NEW)

Location: Throughout the entire utility service area

Character: Pole replacements

Extent: Replace poles that did not meet the standards set forth in the pole inspection program.

Estimated Cost: \$ 650,000

Fiscal Year(s): 2016-17



SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2016

DISTRIBUTION and SUBSTATION (continued):

Removal and transfer of Hickory Meadows distribution line to Randolph Street

Location: Hickory Meadows

Character: Removal of overhead line within Hickory Meadows and installation of new underground line.

Extent: Removal of current existing distribution line that runs north/south in Hickory Meadows and installation of new underground line feeding from Fulton Street down Randolph Street.

Estimated Cost: \$ 100,000

Fiscal Year(s): 2016-17

TRANSMISSION and SUBSTATION:

Substation Transformer Upgrades

Location: Parsons and Cass Road Substation

Character: Installation of higher rated transformers as recommended by Engineers.

Extent: Upgrade existing substation transformers for system reliability due to load growth.

Estimated Cost: \$3 Million

Fiscal Year(s): 2020-21 through 2021-22

Transmission Line Reconductor

Location: Existing transmission corridor along LaFranier Rd/Barlow St, Grove St/Hannah St/Steele St/Eighth St, Wadworth St/Locust St/Twelfth St, and Cass St.

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

Extent: Reconductor/rebuilding of existing 69kV transmission lines with new lines and higher poles to bring circuits to current day standards.

Estimated Cost: \$3.8 Million

Fiscal Year(s): 2016-17 through 2018-19

FACILITIES AND OTHER:

Hastings Service Center Facility Improvements

Location: 1131 Hastings Street

Character: Site improvements to existing facility

Extent: Completion of perimeter fence and sidewalk along with tree lawn improvement and parking lot improvements the following year.

Estimated Cost: \$380,000

Fiscal Year(s): 2016-17 through 2017-18



SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2016

JOINT TCL&P, CITY OF TRAVERSE CITY, and DDA PROJECTS:

Automated Metering Infrastructure (AMI)

Location: Entire service area

Character: Electric meters and software to accommodate advanced metering capabilities.

Extent: A program to provide for the migration to electronic advanced meters that will assist utility customers on energy use, reliability and provide reads to utility billing. Will also drive future system engineering planning as well as provide metrics on completed items to show project results.

Estimated Cost: \$5 Million

Fiscal Year(s): 2016-17 through 2017-18

Disaster Recovery Center

Location: DPS Building (former bowling alley) located on Woodmere Ave

Character: Renovation of the DPS building to be used as a disaster recovery center.

Extent: Renovation of building and installation of equipment for backup operations center for TCL&P along with other city departments.

Estimated Cost: \$500,000

Fiscal Year(s): 2018-19

Corridor Upgrade Improvements – OH to UG Improvements around major intersections

Location: Various Locations

Character: Conversion of overhead facilities to underground or rerouting facilities, if possible.

Extent: This will entail various major intersections throughout the City. It is tentatively planned for conversion to take place at Eighth Street corridor in 2018-19 and Fourteenth Street corridor in 2021-22.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2018-19 and 2021-22

Upgraded Front St Lighting Circuits and Receptacles

Location: Downtown North and South along Front Street

Character: Upgrade circuit to accommodate increased load

Extent: New conduit, wire, and addition of event outlets

Estimated Cost: \$1.34 Million

Fiscal Year(s): 2019-20



SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2016

JOINT TCL&P, CITY OF TRAVERSE CITY, and DDA PROJECTS (continued):

Riverwalk Lighting (N Side of Boardman River)

Location: North Side of Boardman River from Front Street to Dam

Character: New Boardman Riverwalk lighting

Extent: To be determined in coordination with City & Uptown Development.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2016-17

Cass & Lake Street Streetscapes

Location: Cass Street from Eighth Street to Cass Street bridge and along Lake Street from Cass Street to Eighth Street

Character: New street lighting installations in conjunction with planned streetscape.

Extent: To be determined in coordination with DDA.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2016-17

Cass Street Bridge (NEW)

Location: Cass Street Bridge

Character: New street lighting installations

Extent: To be determined in coordination with DDA

Estimated Cost: Unknown at this time

Fiscal Year(s): 2016-17

East Front Street Streetscapes

Location: Along East Front Street from Boardman Avenue to Grandview Parkway

Character: New street lighting installations in conjunction with planned streetscape.

Extent: To be determined in coordination with DDA.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2018-19

Garland Street Streetscapes

Location: Garland Street in the Warehouse District

Character: New street lighting installation in conjunction with planned streetscape.

Extent: To be determined in coordination with DDA.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2016-17



SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2016

JOINT TCL&P, CITY OF TRAVERSE CITY, and DDA PROJECTS (continued):

Park Street Streetscapes

Location: From State Street to Grandview Parkway

Character: New street lighting installation and underground existing overhead services.

Extent: Removal of existing fixtures/poles/wires in coordination with DDA project.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2016-17

Farmers Market Lighting (NEW)

Location: Farmers Market

Character: New lighting installation in the farmers market.

Extent: To be determined in coordination with the DDA.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2018-19

Parking Lot D Lighting (NEW)

Location: Parking lot D

Character: New lighting installation in parking lot D

Extent: To be determined in coordination with the DDA.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2016-17

Boardman Lake Trail Lighting (NEW)

Location: Trail around Boardman Lake

Character: New lighting installation

Extent: Lighting along the Boardman Lake Trail

Estimated Cost: Unknown at this time

Fiscal Year(s): Unknown at this time

West Front Street Lighting (NEW)

Location: From Division Street to Elmwood Avenue

Character: New street lighting installation

Extent: Installation of lighting along the roadway

Estimated Cost: Unknown at this time

Fiscal Year(s): 2016-17



SIX YEAR CAPITAL IMPROVEMENTS PLAN – 2016

JOINT TCL&P, CITY OF TRAVERSE CITY, and DDA PROJECTS (continued):

Division Street Lighting (Eighth Street to Fourteenth Street)

Location: Division Street from Fourteenth Street to the Parkway

Character: New street lighting installation and underground existing overhead services.

Extent: Removal of existing fixtures/poles/wires in coordination with City project.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2016-17

Eighth Street Decorative Lighting (Woodmere to Lake Avenue)

Location: Eighth Street from Woodmere Avenue to Lake Avenue

Character: New street lighting installation and underground existing overhead services.

Extent: Removal of existing fixtures/poles/wires in coordination with City project.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2018-19

FIBER FUND PROJECTS

Small Cell and Distributed Antenna System (DAS) (NEW)

Location: Downtown Service Area

Character: System to provide wireless carrier network access over TCL&P's fiber.

Extent: Install a new carrier agnostic system to provide wireless carriers access points in the downtown areas. A single system will reduce and eliminate the need for each carrier to build their own system, which will improve city aesthetics.

Estimated Cost: Unknown at this time

Fiscal Year(s): 2017-18

Fiber to the Premises (NEW)

Location: Entire Service Area

Character: Telecommunications services to the Traverse City area.

Extent: A network that is built off of TCL&P's existing fiber network to run fiber to the premise. This network would be capable of pushing high speed internet services, television, and other telecommunication service offerings to customers.

Estimated Cost: \$20 Million

Fiscal Year(s): 2018-19 through 2021-22

**TRAVERSE CITY LIGHT & POWER
SIX YEAR CAPITAL IMPROVEMENTS PLAN 2016**

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

		Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Project Totals	Project Notes	2015 Funding Level	Change
Generation:											
NO CHANGE	Community Solar Garden Phase II (project to be similar as the 2013 joint TCL&P/Cherryland project - No cost of land included - NMC College automotive technology building located within the Airport Industrial Park)	\$ 80,000	---	---	---	---	---	\$ 80,000		\$ 250,000	\$ (170,000)
Total Generation		80,000	0	0	0	0	0	80,000		250,000	(170,000)
Distribution and Substation:											
NO CHANGE	Line Improvements, Extensions, and New Services	950,000	1,000,000	1,050,000	1,100,000	1,150,000	1,200,000	6,450,000	Annual Program - In-house construction	6,300,000	150,000
NO CHANGE	Distribution Circuit Rebuild (completion of BW-31 in 2016-17)	675,000	900,000	825,000	925,000	875,000	775,000	4,975,000	Annual Program - In-house construction	6,450,000	(1,475,000)
NO CHANGE	OH to URG Conversion Projects (residential projects to enhance system reliability - 2016-17 includes Orchard Heights)	650,000	675,000	700,000	725,000	750,000	775,000	4,275,000	Annual Program to move inaccessible circuits to road	3,600,000	675,000
NO CHANGE	Substations Switching Stations (Parsons/Barlow)	---	1,560,000	1,610,000	---	---	---	3,170,000		1,050,000	2,120,000
NO CHANGE	Recloser Upgrades	90,000	76,000	---	---	---	---	166,000	Barlow & Parsons Substation	175,000	(9,000)
NO CHANGE	High Pressure Sodium to LED System Replacements	215,000	---	---	---	---	---	215,000		-	215,000
NEW	Pole Replacements	650,000	---	---	---	---	---	650,000		-	650,000
NO CHANGE	Removal and transfer of Hickory Meadows distribution line to Randolph Street	100,000	---	---	---	---	---	100,000	North/South Line removal	370,000	(270,000)
Total Distribution and Substation		3,330,000	4,211,000	4,185,000	2,750,000	2,775,000	2,750,000	20,001,000		17,945,000	2,056,000
Transmission and Substation:											
NO CHANGE	Substation Transformer Upgrades	---	---	---	---	1,500,000	1,500,000	3,000,000		3,000,000	-
NO CHANGE	Transmission Line Reconstruction (LaFranier Road in 2016-17)	1,836,500	1,375,000	615,000	---	---	---	3,826,500		4,365,000	(538,500)
Total Transmission and Substation		1,836,500	1,375,000	615,000	0	1,500,000	1,500,000	6,826,500		7,365,000	(538,500)
Facilities and Other:											
NO CHANGE	Hastings Service Center Facility Improvements (Perimeter Fence, Sidewalk and Tree Lawn Improvement)	280,000	100,000	---	---	---	---	380,000		1,000,000	(620,000)
Total Facilities and Other		280,000	100,000	0	0	0	0	380,000		1,000,000	(620,000)

TRAVERSE CITY LIGHT & POWER
SIX YEAR CAPITAL IMPROVEMENTS PLAN 2016

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

		Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Project Totals	Project Notes	2015 Funding Level	Change
Joint TCL&P, City of Traverse City, and DDA Projects											
NO CHANGE	Automated Metering Infrastructure	2,500,000	2,500,000	---	---	---	---	5,000,000	In coordination with the City	2,250,000	2,750,000
NO CHANGE	Disaster Recovery Center <i>(renovation of DPS building to include installation of equipment for backup operational site - in coordination with City)</i>	---	---	500,000	---	---	---	500,000	Visionary project - no details at this time	350,000	150,000
NO CHANGE	Corridor Improvement Projects <i>(in coordination with City)</i>	---	---	---	---	---	---	-		-	-
NO CHANGE	Upgraded Front Street Lighting Circuits and Receptacles	---	---	---	1,340,000	---	---	1,340,000		1,300,000	40,000
NO CHANGE	Riverwalk Lighting	---	---	---	---	---	---	-	Grant Funding Reimbursement	200,000	(200,000)
NO CHANGE	Cass & Lake Street Streetscapes	---	---	---	---	---	---	-	Special Assessment Fund	350,000	(350,000)
NEW	Cass Street Bridge	---	---	---	---	---	---	-	Special Assessment Fund	-	-
NO CHANGE	East Front Street Streetscapes	---	---	---	---	---	---	-	Special Assessment Fund	400,000	(400,000)
NO CHANGE	Garland Street Streetscapes	---	---	---	---	---	---	-	Special Assessment Fund	200,000	(200,000)
NO CHANGE	Park Street Streetscapes	---	---	---	---	---	---	-	Special Assessment Fund	100,000	(100,000)
NEW	Farmers Market Lighting	---	---	---	---	---	---	-		-	-
NEW	Parking Lot D Lighting	---	---	---	---	---	---	-		-	-
NEW	Boardman Lake Trail Lighting	---	---	---	---	---	---	-		-	-
NEW	West Front Street Lighting (Division to Elmwood)	---	---	---	---	---	---	-	Special Assessment Fund	-	-
NO CHANGE	Division Street Lighting (Eighth Street to Fourteenth Street)	---	---	---	---	---	---	-	Special Assessment Fund	350,000	(350,000)

**TRAVERSE CITY LIGHT & POWER
SIX YEAR CAPITAL IMPROVEMENTS PLAN 2016**

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

	Fiscal Year 2016-17	Fiscal Year 2017-18	Fiscal Year 2018-19	Fiscal Year 2019-20	Fiscal Year 2020-21	Fiscal Year 2021-22	Project Totals	Project Notes	2015 Funding Level	Change
Joint TCL&P, City of Traverse City, and DDA Projects (continued)										
NO CHANGE	Eighth Street Decorative Lighting (Woodmere Ave to Lake Ave)		---	---	---	---	---	Special Assessment Fund	350,000	(350,000)
Total Joint TCL&P, City of Traverse City and DDA Projects		2,500,000	2,500,000	500,000	1,340,000	0	0	6,840,000	5,850,000	990,000
TOTAL		\$ 8,026,500	\$ 8,186,000	\$ 5,300,000	\$ 4,090,000	\$ 4,275,000	\$ 4,250,000	\$ 34,127,500	\$ 32,410,000	\$ 1,717,500

FIBER FUND PROJECTS:

NEW	Small Cell and Distributed Antenna System (DAS)	---	---	---	---	---	---	-	-	-
NEW	Fiber to the Premises	---	---	5,000,000	5,000,000	5,000,000	5,000,000	20,000,000	-	20,000,000
Total Fiber Fund Projects		\$ -	\$ -	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 20,000,000	\$ -	\$ 20,000,000

(Actual fiscal year that a project may be undertaken may differ from the fiscal year depicted in this spreadsheet. Dollar amounts are estimates for information only and are not a part of the official Plan.)

Traverse City Light & Power

Cash Flow Forecast - Preliminary Draft

	Fiscal Year:	Actual 2014/15	Budget 2015/16	Estimate 2016/17	Estimate 2017/18	Estimate 2018/19	Estimate 2019/20	Estimate 2020/21	Estimate 2021/22
Receipts									
Charges for Services		34,396,799	32,767,500	34,422,850	35,627,650	36,340,203	37,067,007	37,808,347	38,564,514
Other Operating Revenues		2,746,790	3,161,200	3,224,424	3,288,912	3,354,691	3,421,785	3,490,220	3,560,025
Non Operating Revenues		544,543	456,750	465,885	475,203	484,707	494,401	504,289	514,375
Total Receipts		37,688,132	36,385,450	38,113,159	39,391,765	40,179,600	40,983,192	41,802,856	42,638,913
Payments									
Generation Expense		22,855,173	24,778,900	25,274,478	25,779,968	26,295,567	26,821,478	27,357,908	27,905,066
Distribution Expense		3,530,929	3,976,150	4,055,673	4,136,786	4,219,522	4,303,913	4,389,991	4,477,791
Transmission Expense		406,584	359,300	366,486	373,816	381,292	388,918	396,696	404,630
Metering & Customer Accounting		568,692	521,500	531,930	542,569	553,420	564,488	575,778	587,294
Conservation & Public Service		513,302	679,400	692,988	706,848	720,985	735,404	750,112	765,115
Administrative & General		834,938	901,800	919,836	938,233	956,997	976,137	995,660	1,015,573
Insurance		57,875	63,000	64,260	65,545	66,856	68,193	69,557	70,948
City Fee		1,863,259	1,801,000	1,837,020	1,873,760	1,911,236	1,949,460	1,988,450	2,028,219
Capital Investments		5,830,958	6,137,000	8,026,500	8,086,000	5,300,000	4,090,000	4,275,000	4,250,000
Total Payments		36,461,710	39,218,050	41,769,171	42,503,524	40,405,875	39,897,992	40,799,152	41,504,635
Cashflow Surplus/Deficit (-)		1,226,422	(2,832,600)	(3,656,012)	(3,111,759)	(226,275)	1,085,200	1,003,704	1,134,278
Opening Cash & Investments Balance		21,091,983	22,318,405	19,485,805	15,829,793	12,718,034	12,491,759	13,576,959	14,580,662
Closing Cash & Investments Balance		22,318,405	19,485,805	15,829,793	12,718,034	12,491,759	13,576,959	14,580,662	15,714,940
Reserved Cash & Investment Balance		9,200,000	9,500,000	9,625,000	9,800,000	9,900,000	10,000,000	10,100,000	10,600,000
Unreserved & Undesignated Cash & Investment Balance		13,118,405	9,985,805	6,204,793	2,918,034	2,591,759	3,576,959	4,480,662	5,114,940

Notes and Assumptions

Trust fund will be depleted at end of fiscal year and power cost recovery will increase revenues by \$1,000,000 in 2016-17

Load growth increase of .5% per year

Proposed base rate increase of 1.5% in 2017-18

General inflation increase of 2% year

Estimated increase in purchase power (generation cost) of 2% year and increase in generation charges for services at 1.5% to cover increase in generation costs through the power cost recovery rate



To: Light and Power Board
From: Karla Myers-Beman, Controller *WMB*
Date: January 1, 2016
Subject: Quarterly Financial Report

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

Electric Utility Fund

As of September 30, 2015 (25% through the fiscal year) operating revenues are 25.1% of budgeted operating revenues. Overall revenues have decreased compared to prior year because of the modifications made to the PCR formula and decrease in the wholesale cost of power.

Total operating expenses are at 24.40% of budget year-to-date, or very nearly on-budget with purchase power costs at 25.28%, public service costs at 17.75% lower than expected due to energy optimization funds not fully expended. General administration expenses at 17.89% lower than expected because of expenses expected to be incurred later in the fiscal year.

Net income through the first quarter is \$812,634, which is approximately \$1.5 million decrease over the prior year.

Cash flows shows approximately \$3.1 million expended in capital assets, primarily for West Side Transmission Line project, Pine and State Street Underground project, South Substation replacement transformers, and the Covered Storage Building project.

Fiber Fund

Revenues in the Fiber Fund are 20.7% of budgeted operating revenues while expenses are 36.14% of budget year-to-date. Salaries and related fringe benefits are at 50.64% and 57.94% of budget, because more time is being allocated to fiber maintenance during the fiscal year than expected. WIFI Operations and maintenance is at 57.43% of budget relating to Merit Network expense incurred this quarter relating to internet feed for the WIFI system, a primary expense of this line item. The Fund has a net loss or change in net position of \$(37,178).

It is expected the Fiber Fund may begin reimbursements to the electric utility und for the initial investment of the backbone fiber network.

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

ELECTRIC FUND STATEMENT OF NET POSITION SEPTEMBER 30, 2015

ASSETS			
Current assets			
Cash and cash equivalents	\$ 7,490,513		\$ 1,520,017
Investments	12,981,105		150,486
Receivables			107,797
Customer, less allowances of \$279,103 for uncollectible accounts (Light and Power Fund)	2,835,673		-
Accrued interest	50,681		3,150
Taxes	1,204		363,259
Other	967,708		
Inventories	1,585,492		
Prepaid expenses	70,179		
Total current assets	<u>25,982,555</u>		<u>2,144,709</u>
Non-current assets			
Other postemployment benefit asset	1,149,539		152,522
Long-term advances - due from primary government	2,891		10,431,954
Asset held for sale	980,900		
Land and land improvements	1,395,691		
Construction in progress	8,163,383		
Capital assets being depreciated, net	<u>43,603,922</u>		<u>10,584,476</u>
Total non-current assets	<u>55,296,326</u>		<u>12,729,185</u>
Total assets	<u>81,278,881</u>		<u>53,162,996</u>
Deferred outflow	639,314		16,026,014
Total cash and investments	<u>\$ 20,471,618</u>		<u>\$ 69,189,010</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable			152,522
Accrued expenses and other liabilities			10,431,954
Customer deposits			107,797
Unearned revenue			-
Compensated absences			3,150
Due to primary government			363,259
Total current liabilities			<u>2,144,709</u>
Long-term liabilities			
Compensated absences			152,522
Net pension liability			10,431,954
Total long term liabilities			<u>10,584,476</u>
Total liabilities			<u>12,729,185</u>
Net position			
Invested in capital assets			53,162,996
Unrestricted			16,026,014
Total net position			<u>\$ 69,189,010</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	Month to date		Year to date		Year to date		Year to date		Amended Budget	Budget to Year to date Comparison		% of budget
	Actual	Prior Year	Actual	Prior Year	Actual	Prior Year	Actual	Unfavorable				
Operating revenues - sales												
Residential	\$ 426,413	\$ 548,311	\$ (121,898)	\$ -	\$ 1,806,733	\$ 1,783,805	\$ (27,928)	\$ -	\$ 6,338,000	\$ 1,806,733	\$ (4,831,267)	23.77%
Commercial	1,245,286	1,514,600	(269,314)	-	3,904,699	4,426,219	(521,520)	-	15,766,500	3,904,699	(11,861,801)	24.77%
Industrial	901,635	1,072,523	(170,888)	-	2,602,183	3,055,420	(453,237)	-	10,040,000	2,602,183	(7,437,817)	25.92%
Public authority	31,534	36,096	(4,563)	-	122,511	126,286	(3,775)	-	286,000	122,511	(163,489)	42.84%
Street lighting	16,095	16,559	(464)	135	48,679	49,276	(597)	195,000	195,000	48,679	(146,321)	24.96%
Yard lights	7,900	7,622	278	-	23,383	19,865	3,518	85,000	85,000	23,383	(61,617)	28.52%
Total operating revenues - sales	2,629,463	3,195,713	(566,250)	(566,250)	8,208,189	9,460,865	(1,252,676)	(1,252,676)	32,707,500	8,208,189	(24,499,311)	25.10%
Other operating revenues												
Forfeited discounts	6,626	6,293	333	-	17,344	17,246	99	60,000	60,000	17,344	(42,656)	28.91%
Merchandise and jobbing	3,988	2,566	1,422	-	5,693	6,299	(607)	187,000	187,000	5,693	(181,307)	3.04%
Sale of scrap	6,371	5,647	724	-	7,682	13,410	(5,728)	35,000	35,000	7,682	(27,318)	21.95%
Recovery of bad debts	-	-	-	-	26	30	(4)	300	300	26	(174)	13.25%
MISO income	369,307	235,982	133,326	-	1,029,323	720,732	308,591	2,900,000	2,900,000	1,029,323	(1,870,677)	35.49%
Miscellaneous	3,447	4,072	(624)	-	7,866	17,005	(9,139)	39,000	39,000	7,866	(31,134)	20.17%
Total other operating revenues	389,739	254,558	135,180	(135,180)	1,067,934	774,722	293,212	293,212	3,221,200	1,067,934	(2,153,266)	33.15%
Nonoperating revenues												
Rent income	2,714	2,095	619	18	31,111	10,486	20,625	44,350	44,350	31,111	(13,239)	70.13%
Pole rental income	-	522	(522)	-	4,388	4,741	(353)	34,000	34,000	4,388	(30,212)	12.68%
Reimbursements	533	3,314	(2,781)	-	39,448	10,462	28,986	102,800	102,800	39,448	(63,352)	38.37%
Interest income	12,009	36,221	(24,212)	-	57,504	86,827	(29,323)	250,000	250,000	57,504	(192,496)	23.00%
Gain/loss on sale of assets	-	-	-	-	-	-	-	25,000	25,000	-	(25,000)	0.00%
Total nonoperating revenues	15,256	42,752	(27,497)	(27,497)	132,450	112,516	19,934	456,750	456,750	132,450	(324,300)	29.00%
Total revenue	3,034,458	3,493,024	(458,566)	(458,566)	9,408,573	10,348,103	(939,530)	36,285,450	36,285,450	9,408,573	(26,976,877)	25.86%
Generation expense												
Non purchase power expenses	37,519	40,837	(3,318)	-	36,597	98,416	(61,819)	317,100	317,100	36,597	(280,503)	11.54%
Capacity costs	24,000	-	24,000	-	36,000	-	36,000	672,000	672,000	36,000	(636,000)	5.36%
MISO	115,965	506	115,459	-	335,377	186,947	148,430	257,808	257,808	335,377	(77,577)	130.09%
Lansing Bridge	483,190	461,927	21,263	-	1,516,207	1,392,190	124,017	3,091,000	3,091,000	1,516,207	(1,574,793)	49.05%
Stoney Corners	185,699	197,104	(11,405)	-	533,049	502,296	30,653	3,257,000	3,257,000	533,049	(2,723,951)	16.37%
M-72 Wind Turbine	2,035	-	2,035	-	5,922	-	5,922	42,000	42,000	5,922	(36,078)	14.10%
Combustion Turbine	241,509	291,562	(50,052)	-	838,255	965,098	(126,843)	4,714,000	4,714,000	838,255	(3,875,745)	17.78%
Campbell Coal Plant	464,059	341,938	122,121	-	1,339,430	1,172,770	166,660	4,580,000	4,580,000	1,339,430	(3,240,570)	29.25%
Belle River Coal Plant	401,347	469,733	(68,385)	-	1,301,853	1,327,438	(25,586)	4,364,000	4,364,000	1,301,853	(3,062,147)	29.83%
Landfill Gas	40,477	39,573	904	904	130,317	8,740	121,578	1,127,000	1,127,000	130,317	(996,683)	11.56%
Bilateral contracts	3,600	59,605	(56,005)	-	147,520	136,333	11,188	2,357,000	2,357,000	147,520	(2,209,480)	6.26%
Purchase power expenses	1,961,879	1,861,942	99,937	-	6,183,930	5,766,233	417,697	24,461,800	24,461,800	6,183,930	(18,277,870)	25.28%

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

ELECTRIC FUND
 SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	Month to Month Comparison		Year to Year Comparison		Year to date Difference	Amended Budget	Budget to Year to date Comparison		% of budget
	Month to date Actual	Month to date Prior Year	Year to date Actual	Year to date Prior Year			Year to date Actual	Favorable (Unfavorable)	
Distribution	\$ 331,204	\$ 278,133	\$ 936,953	\$ 722,805	\$ 214,147	\$ 3,976,150	\$ 936,953	\$ 3,039,197	23.56%
Transmission	31,420	29,919	99,415	87,929	11,487	359,200	99,415	259,785	27.67%
Customer accounting	43,003	41,773	127,247	126,027	1,220	521,500	127,247	394,253	24.40%
Public service	67,171	71,345	120,610	154,694	(34,085)	679,400	120,610	558,790	17.75%
General administration expense	50,479	57,490	161,314	146,279	15,035	901,800	161,314	740,486	17.89%
Other expenses	5,099	4,675	15,389	14,114	1,276	63,000	15,389	47,611	24.43%
Insurance	125,000	125,000	375,000	375,000	-	1,801,000	375,000	1,426,000	20.82%
City fee	179,828	168,932	539,485	506,796	32,689	2,150,000	539,485	1,610,515	24.69%
Depreciation	2,852,603	2,680,050	8,595,939	7,998,293	597,646	35,231,060	8,595,939	26,635,111	24.49%
Total expenses	\$ 201,855	\$ 812,974	\$ 812,634	\$ 2,349,810	\$ (1,537,176)	\$ 1,154,400	\$ 812,634	\$ (341,766)	
Change in net position									

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

ELECTRIC FUND

**SUPPLEMENTARY INFORMATION
FOR THE PERIOD ENDED SEPTEMBER 30, 2015**

SALES	KWH month	KWH year to date	Monthly revenue	Year to date revenue	Current month	Prior year month	Revenue/Sales		Revenue/Sales year to date variance
							monthly variance	Prior year to date	
Residential Sales	4,717,305	14,346,980	\$ 520,559	\$ 1,580,635	\$ 0.1104	\$ 0.1255	\$ (0.0151)	\$ 0.1182	\$ (0.0080)
Commercial Sales	14,000,529	39,112,855	1,544,894	4,212,563	0.1103	0.1230	(0.0127)	0.1077	(0.0134)
Industrial Sales	11,499,250	33,337,150	918,142	2,720,082	0.0798	0.1000	(0.0202)	0.0816	(0.0190)
Yard and Street Lights	214,167	374,989	42,128	74,068	0.1967	0.1865	0.0102	0.1975	0.0162
Total Sales	30,431,251	87,171,974	\$ 3,025,723	\$ 8,587,348					
Note: Revenues do not agree to income statement because of monthly accruals.									
PURCHASED POWER	KWH month	KWH year to date	Monthly cost	Year to date cost	Cost per kWh for the month	Cost per kWh for the year to date	Revenue/Sales		Revenue/Sales year to date variance
							monthly variance	Prior year to date	
Lansing Bridge	9,664,000	29,472,000	\$ 483,189.90	\$ 1,516,206.75	\$ 0.050	\$ 0.051			
MISO Account									
MISO	1,003,200	5,688,700	81,660.75	285,101.04	0.081	0.050			
Wolverine	not applicable	not applicable	3,259.92	6,309.89	not applicable	not applicable			
Transmission	not applicable	not applicable	31,042.52	43,966.39	not applicable	not applicable			
Subtotal	1,003,200	5,688,700	115,963.19	335,377.32	0.116	0.059			
Bilateral Contract	336,000	8,176,000	3,599.69	147,520.23	0.011	0.018			
Campbell #3	7,294,911	21,785,943	464,058.75	1,339,430.39	0.064	0.061			
Belle River	4,964,880	17,012,993	318,014.14	1,051,852.88	0.064	0.062			
Combustion Turbine	3,738,047	11,112,184	241,509.41	838,255.09	0.065	0.075			
Landfill Gas	727,081	2,242,998	40,476.89	130,317.21	0.056	0.058			
Stoney Corners	1,633,958	4,690,266	185,699.33	533,048.74	0.114	0.114			
M-72 Wind Turbine	29,068	84,593	2,034.76	5,921.51	0.070	0.070			
MPPA Capacity Costs (market)	not applicable	not applicable	24,000.00	36,000.00	not applicable	not applicable			
Total	29,391,145	100,265,677	\$ 1,878,546.06	\$ 5,933,930.02	\$ 0.064	\$ 0.059			

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

ELECTRIC FUND STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED SEPTEMBER 30, 2015

Cash flows from operating activities	
Cash received from customers	\$ 9,592,593
Cash payments to employees	(1,360,246)
Cash payments to suppliers for goods and services	(6,733,566)
Cash payments of City fee	<u>(375,000)</u>
Net cash provided by operating activities	<u>1,123,781</u>
Cash flows from noncapital financing activities	
Cash payments from funds	19,441
Customer deposits paid	9,411
Rental income received	35,499
Reimbursements received	<u>39,448</u>
Net cash provided by noncapital financing activities	<u>103,798</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	<u>(3,131,871)</u>
Cash flows from investing activities	
Sale of investments	239,297
Interest and dividends	<u>57,504</u>
Net cash provided by investing activities	<u>296,801</u>
Net decrease in cash and cash equivalents	(1,607,490)
Cash and cash equivalents, beginning of year	<u>9,098,003</u>
Cash and cash equivalents, end of year	<u>\$ 7,490,513</u>

TRAVERSE CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

FIBER FUND

STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

ASSETS	LIABILITIES AND NET POSITION	
Current assets		
Cash and cash equivalents	\$ 229,913	\$ 246
Accounts receivable	6,371	192
Inventory	5,956	14,270
Prepaid expenses	35	12,788
Total current assets	<u>242,275</u>	<u>27,496</u>
Non-current assets		
Construction in progress	-	1,007
Capital assets being depreciated, net	1,637,993	26,765
Total non-current assets	<u>1,637,993</u>	<u>55,267</u>
Total assets	<u>1,880,268</u>	<u>1,637,993</u>
		<u>188,593</u>
Deferred outflow	<u>1,586</u>	<u>\$ 1,826,586</u>
		<u>1,637,993</u>
		<u>188,593</u>
		<u>\$ 1,826,586</u>

TRaverse CITY LIGHT AND POWER

(A Component Unit of the City of Traverse City, Michigan)

FIBER FUND

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	Amended Budget	Year to date Actual	Favorable (Unfavorable)	Percentage of Budget
Operating revenues				
Charges for services	\$ 288,200	\$ 59,694	\$ (228,506)	20.71%
Merchandising and jobbing	-	129	129	#DIV/0!
Total operating revenues	288,200	59,823	(228,377)	#DIV/0!
Operating expenses				
Salaries and wages	31,000	15,698	15,302	50.64%
Fringe benefits	21,000	12,167	8,833	57.94%
Supplies	12,000	-	12,000	0.00%
WiFi Operations and maintenance	37,400	21,478	15,922	57.43%
Professional and contractual	6,400	-	6,400	0.00%
Professional development	2,100	-	2,100	0.00%
Insurance	1,200	-	1,200	0.00%
Vehicle Rental	4,500	4,726	(226)	105.02%
City fee	14,435	-	14,435	0.00%
Depreciation	138,400	42,932	95,468	31.02%
Total operating expenses	268,435	97,001	171,434	36.14%
Operating income	19,765	(37,178)	(57,072)	
Nonoperating revenues				
Reimbursements	30,400	-	(30,400)	0.00%
Change in net position	50,165	(37,178)	(87,343)	-74.11%
Net position, beginning of year	1,863,764	1,863,764	-	
Net position, end of year	\$ 1,913,929	\$ 1,826,586	\$ (87,343)	



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Karla Myers-Beman, Controller *KMB*
Date: January 6, 2016
Subject: Proposed 2016-17 Budget Schedule

In preparing the 2016-17 Six Year Capital Improvements Plan and Operating Budgets, staff plans to present a budget and capital plan incorporating the goals set forth in the Strategic Plan to the Board before submission to the City Commission.

Six Year Capital Plan & Budget Review:

Charter Section 179 (o) requires: “The Board shall submit to the City Commission annually with its budget a capital improvements plan for the next six (6) years.”

Charter Section 179 (i) requires: “The Board shall submit to the City Commission on or before the last regular meeting of the City Commission in the month of April (18th in 2016) of each year an itemized budget conforming to the system of accounts required by the State of Michigan.”

Below is the schedule:

- | | |
|------------------------------------|---|
| Tuesday, January 12, 2016: | Regular Meeting – initial presentation and discussion of the capital plan. |
| Tuesday, January 26, 2016: | Regular Meeting – initial presentation and discussion of the Fiber Fund budget and further discussion and consideration of approval of the capital plan. |
| Tuesday, February 23, 2016: | Regular Meeting – initial presentation and discussion of the Electric Utility Fund budget. |
| Tuesday, March 8, 2016: | Regular Meeting – approval of the Electric Utility and Fiber Fund budgets. |

If further discussion is needed, the March 8, 2016 meeting can be utilized and the consideration of approval to submit the recommended budget and capital plan to the City can be moved to March 22, 2016.