

A REGULAR MEETING

Of The

TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

Tuesday, May 8, 2018

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.

Jennifer St. Amour
Administrative Assistant
1131 Hastings Street
Traverse City, MI 49686
(231) 932-4543

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

Posting Date: 5-4-18
3:00 p.m.

AGENDA

Pledge of Allegiance

1. Roll Call

2. Disclosure of Recusal

3. Consent Calendar

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

- a. Approval of Agenda.
- b. Consideration of approving minutes of the Regular Meeting of April 10, 2018. (Approval Recommended (p.4)
- c. Consideration of confirming transfer of funds from Fiber Fund to Electric Fund. (Approval Recommended) (Myers-Beman) (p.8)
- d. Consideration of approving a purchase order for materials for the PC32 East Bay Blvd. Rebuild Project. (Approval Recommended) (Dixon) (p.9)
- e. Consideration of approving an agreement for services and materials for AMI Fiber Construction and Networking Hardware. (Approval Recommended) (Menhart) (p.11)

4. Unfinished Business

- a. Consideration of approving the Statement of Intention related to the Voluntary Green Rate revenue. (Arends) (p.13)

5. New Business

- a. Consideration of approving the HL-22 Project Authorization Request and authorizing staff to seek competitive bids. (Dixon) (p.15)

6. Reports and Communications

- a. From Legal Counsel.
- b. From Staff.
 1. Financial close-out report for Orchard Heights and Critical and Large Customers Improvements Projects. (Myers-Beman/ Dixon) (p.18)
 2. March 31, 2018 financial statements. (Myers-Beman) (p.21)
 3. AMI Opt-out discussion. (Schroeder/Menhart) (p.28)

4. Strategic Plan meeting update. (Arends-verbal)
- c. From Board.
1. Discussion on cyber security. (McGuire-verbal)

7. Public Comment

/js

**TRAVERSE CITY
LIGHT AND POWER BOARD**

Minutes of Regular Meeting
Held at 5:15 p.m., 1131 Hastings Street
Tuesday, April 10, 2017

Board Members -

Present: Jan Geht, Ross Hammersley, Pat McGuire, Amy Shamroe, Tim Werner,
John Taylor

Absent: Elysha Davila

Ex Officio Member -

Present: Marty Colburn, City Manager

Others: Tim Arends, Daren Dixon, Scott Menhart, Karla Myers-Beman, Kelli
Schroeder, Mark Watson, Tony Chartrand, Jacob Hardy, Jennifer J. St.
Amour

ORGANIZATIONAL MEETING

The meeting was called to order at 5:15 p.m. by Secretary Arends.

Secretary Tim Arends opened the floor to nominations for Chairperson of the Light and Power Board:

Geht nominated Pat McGuire, Shamroe seconded.

Tim Arends closed the floor to nominations.

CARRIED unanimously. (Davila absent)

Tim Arends turned the meeting over to Chairperson McGuire.

Chairperson McGuire opened the floor to nominations for Vice Chairperson of the Light and Power Board:

Shamroe nominated John Taylor, Geht seconded.

Chairperson McGuire closed the floor to nominations.

CARRIED unanimously. (Davila absent)

Chairperson McGuire recommended Tim Arends be reappointed Secretary for the Light and Power Board. Consensus of the Board that Tim Arends be reappointed Secretary for the Light and Power Board.

Chairperson McGuire asked for volunteers to serve on the Human Resources Ad Hoc Committee. Shamroe, Hammersley, and Geht volunteered, with Taylor as the alternate.

CARRIED unanimously. (Davila absent)

Item 2 on the Agenda being Disclosure of Recusal

Item 3 on the Agenda being Consent Calendar

Moved by Shamroe, seconded by Hammersley, that the following actions, as recommended on the Consent Calendar portion of the Agenda, be approved:

- a. Approval of Agenda
- b. Minutes of the Regular Meeting of March 13, 2018.
- c. Approval of the Electric Utility 2018-19 Operating Budget.
- d. Approval of the Fiber 2018-19 Operating Budget.
- e. Approval of a Construction Agreement for the Critical and Large Customer #2 Project.
- f. Approval of a Construction Agreement for the Substation Circuit Exits Project.
- g. Approval of a purchase order for miscellaneous materials for Critical and Large Customer #2 Project.
- h. Approval of the amendment to Maplenet Wireless Dark Fiber Services Agreement.

CARRIED unanimously. (Davila absent)

Items Removed from the Consent Calendar

None.

Item 4 on the Agenda being Unfinished Business

- a. Public Hearing regarding:
 - Renewable Electric Energy Rider adoption as of April 20, 2018.

Chairperson McGuire opened the Public Hearing.

The following individuals from the Public addressed the Board.

None.

Chairperson McGuire closed the Public Hearing.

The following individuals addressed the Board:

Tim Arends, Executive Director

Moved by Shamroe, seconded by Hammersley, that the Light & Power Board approves the adoption of the Renewable Electric Energy Rider Tariff Rate effective as of April 20, 2018.

CARRIED unanimously.

The following individuals from the Public addressed the Board:

Ann Rogers, 1236 Peninsula Drive, ratepayer
Marty Colburn, City Manager

Item 5 on the Agenda being New Business

- a. Consideration of approving the Voluntary Green Pricing Grant Program.

The following individuals addressed the Board:

Tim Arends, Executive Director

Moved by Shamroe, seconded by Werner, that the Light & Power Board approves the adoption of the Voluntary Green Pricing Grant Program.

After Board discussion, with the approval of the seconder, Shamroe rescinded the motion.

NO ACTION TAKEN.

The following individuals from the Public addressed the Board:

Dave Petrov, 9988 Riley Rd., non-ratepayer

Item 6 on the Agenda being Reports and Communications

- a. From Legal Counsel.
- b. From Staff.
1. Presentation by Venture North.

The following individuals addressed the Board:

Laura Galbraith, Executive Director, Venture North
Jacob Hardy, Key Accounts Manager & Energy Technician
Tim Arends, Executive Director

2. Report on Landfill Gas and Combustion Turbine purchase power agreements.

The following individuals addressed the Board:

Karla Myers-Beman, Controller
Tim Arends, Executive Director

3. Executive Director's Annual Performance Evaluation.

The following individuals addressed the Board:

Kelli Schroeder, Manager of Human Resources and Communications

4. Presentation of the Cost of Service Study.

The following individuals addressed the Board:

Karla Myers-Beman, Controller

Mark Beauchamp, President, Utility Financial Solutions

c. From Board

Amy Shamroe thanked Jan Geht for his service as Chairman.

Marty Colburn thanked Tim Arends for the FTTP Project funding meeting with Congressman Bergman.

Item 7 on the Agenda being Public Comment

a. General

The following individuals from the Public addressed the Board:

Ann Rogers, 1126 Peninsula Drive, ratepayer

Rick Evans, Clean Energy Policy Specialist, Groundwork Center for Resilient Communities

There being no objection, Chairperson McGuire declared the meeting adjourned at 7:21 p.m.

Tim Arends, Secretary
LIGHT AND POWER BOARD



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Karla Myers-Beman, Controller
Date: April 25, 2018
Subject: Interfund transfer

As part of the budgeting process this year, staff projected and budgeted for the 2017-18 fiscal year a voluntary transfer from the Fiber Fund to the Electric Utility Fund in the amount of \$125,000. This voluntary transfer is for repayment of the initial capital contribution in the amount of \$1,208,876 made by the Electric Utility Fund to the Fiber Fund for the construction of the dark fiber system. With this transfer the balance of the initial capital contribution is reduced to \$783,875 and is tentatively planned to be fully paid by the end of the fiscal year 2021-22. The initial capital contribution was not originally recorded as an interfund loan between the two funds, because at the time it was not management's intention for the capital contribution to be repaid.

The March 31, 2018 Fiber Fund's balance sheet shows a cash balance of \$235,686 and staff has projected the Fiber Fund to have an approximate cash balance of \$327,284 not including the transfer as of June 30, 2018. Staff believes this is an adequate cash balance to allow for the voluntary transfer of \$125,000 in the 2017-18 fiscal year and is requesting authorization from the Board to make the transfer.

This item is appearing on the Consent Calendar as staff deems to be a non-controversial item. Approval of this item on the Consent Calendar means you agree with staff's recommendation.

If any of the Board or member of the public wishes to discuss this matter, other than clarifying questions, it should be removed and placed under "Items Removed from Consent Calendar" portion for the agenda for full discussion.

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

**MOVED BY _____, SECONDED BY _____, THAT THE
BOARD AUTHORIZES THE INTERFUND TRANSFER OF \$125,000 FROM THE FIBER FUND
TO THE ELECTRIC UTILITY FUND.**



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Daren Dixon, Operations Manager
Date: May 2, 2018
Subject: PC32 East Bay Blvd Rebuild – Materials Purchase Authorization Request

GRP Engineering solicited bids for the Hendrix Aerial Cable System material for the PC32 East Bay Rebuild project. Of four (4) vendors invited to submit quotes for the purchase of the cable system, only two (2) quotes were received:

<u>Vendor</u>	<u>Price</u>
Power Line Supply	\$47,669.17
RESCO	\$48,271.63

After review by staff, it is recommended TCL&P accept the low bid and issue a purchase order to Power Line Supply in the amount of \$47,669.17, following the attached recommendation from GRP. These costs are in line with the anticipated material costs for this project.

This item is on the Consent Calendar as it is deemed non-controversial. Approval of this item on the Consent Calendar means you agree with staff's recommendation.

If any member of the Board or the public wishes to discuss this matter other than clarifying questions, it should be placed on the "Items Removed from the Consent Calendar" portion of the agenda for full discussion. If after Board discussion you agree with staff's recommendation, the following motion is recommended:

MOVED BY _____, SECONDED BY _____,

THAT THE BOARD AUTHORIZES THE EXECUTIVE DIRECTOR TO ISSUE A PURCHASE ORDER TO POWER LINE SUPPLY IN THE AMOUNT OF \$47,669.17, MORE OR LESS, FOR HENDRIX SYSTEM MATERIAL TO BE USED FOR THE PC32 EAST BAY REBUILD PROJECT.

May 1, 2018
18-0921.01

Mr. Daren Dixon
Operations Manager
Traverse City Light & Power
1131 Hastings Street
Traverse City, MI 49686

**RE: PC32 East Bay Blvd Rebuild
Hendrix System Bid Evaluation & Recommendation**

Dear Daren:

GRP Engineering, Inc. has completed our evaluation of the Hendrix Aerial Cable System quotes received for the PC32 East Bay Blvd Rebuild project. Of the four (4) vendors invited to submit quotes for purchase of the cable system, two (2) quotes were received. Power Line Supply (PLS) submitted the lowest price for the cable system in the amount of \$47,669.17. Quoted delivery time is 6 – 8 weeks after receiving order.

<u>Vendor</u>	<u>Total</u>
Power Line Supply	\$47,669.17
RESCO	\$48,271.63

Note that since cable is a commodity, final price will be determined by the cost of aluminum on the day that the aerial cable system ships. GRP Engineering, Inc. sees no reason not to accept Power Line Supply's quote. Please contact me should you have any questions regarding this evaluation.

Sincerely,

GRP Engineering, Inc.



Michael P. McGeehan, P.E.
Project Manager

cc: Traverse City Light & Power
Mr. Tony Chartrand

FOR THE LIGHT & POWER BOARD MEETING OF MAY 8, 2018



T R A V E R S E C I T Y
L I G H T & P O W E R

To: Light and Power Board
From: Scott Menhart, Manager of Telecom & Technology
Date: May 3, 2018
Subject: AMI Fiber Construction and Networking Hardware

The TCL&P Board approved the AMI project, along with directing Staff to obtain additional quotes for the fiber construction and hardware to support the system. Upon signing the AMI agreement with Eaton, they performed the in-depth study of TCL&P's service territory for placement of networking devices. Using this study, Staff has finalized the costs for the fiber and network device procurement and installation and have listed them in the details below.

The total cost for the fiber construction and networking equipment is \$49,172.20. Staff had originally estimated these costs for these items to be \$210,000, so this is well within the estimations that were provided and approved by the Board for the AMI Project.

The reasons for the large difference in estimations to actual costs is because these items could not be completed prior to Eaton's propagation study to determine locations of equipment and Eaton does not perform this until after the agreement is signed. This determined the exact locations of fiber equipment, along with the number of sites. Therefore, Staff originally estimated 14 sites with an estimation of \$15,000 per site (\$10,000 for fiber construction and \$5000 for networking equipment). However, Staff worked extensively with Eaton to model the network in very close proximity to our existing fiber backbone, which helped tremendously on cost saving.

This item is appearing on the Consent Calendar as it is deemed a non-controversial item by staff. Approval of this item on the Consent Calendar means you agree with staff's recommendation.

If any member of the Board or the public wishes to discuss this matter, other than clarifying questions, it should be placed on the "items removed from the consent calendar" portion of the agenda for full discussion. If after the Board discussion you agree with staff's recommendation the following motion would be appropriate:

(MOTION ON FOLLOWING PAGE)

FOR THE LIGHT & POWER BOARD MEETING OF MAY 8, 2018

MOVED BY _____, SECONDED BY _____,

THAT THE BOARD AWARDS THE CHAIRMAN AND SECRETARY TO EXECUTE AGREEMENTS FOR SERVICES AND MATERIALS IN THE AMOUNT OF \$49,172.20, MORE OR LESS, SUBJECT TO REVIEW AS TO SUBSTANCE BY THE EXECUTIVE DIRECTOR AND AS TO FORM BY GENERAL COUNSEL.



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tim Arends, Executive Director
Date: April 27, 2018
Subject: Voluntary Green Rate Revenues – Statement of Intent

At the last Board meeting, staff presented a proposed board policy on how it would utilize the revenues related to the state mandated voluntary green rate, which the Board adopted. Based on feedback at that meeting it was determined that the Board did not desire to be locked into a policy giving the City Manager (and/or the Green Team) the decision on how those additional revenues would be expended by the utility.

Considering the comments made, staff felt it would be more appropriate to propose a “Statement of Intent” on how those revenues would be utilized by the utility. To-date and with very little advertising at this point, TCL&P has received several residential commitments to this new rate, as well as four commercial customers at 100% renewable, which includes all TCL&P meters to this new rate as well. As you may recall, the new rate adds an additional \$0.0085 per kWh to a customer’s utility bill each month.

The Board did indicate that it would like to expend that additional revenue toward continued energy efficiency efforts and expanded renewable energy. The utility can track those revenues and dedicate them to those efforts through the budgeting process annually.

Staff believes that this “Statement of Intent” serves the desire of the Board and helps the utility in promoting the program in explaining how those revenues will be utilized in the future. If you agree with the recommendation from Staff, the following motion would be appropriate:

MOVED BY _____, SECONDED BY _____,
THAT THE BOARD APPROVES THE “STATEMENT OF INTENT” ON HOW IT
PLANS TO UTILIZE THE ADDITIONAL REVENUES DERIVED FROM THE
VOLUNTARY GREEN RATE, AS PRESENTED (or amended).

TRAVERSE CITY LIGHT & POWER BOARD

STATEMENT OF INTENT REGARDING VOLUNTARY GREEN PRICING PROGRAM REVENUES

The State of Michigan Legislature enacted Public Act 342 of 2016 that requires all utilities in the State of Michigan to offer to its customers a voluntary renewable energy “green” rate by April 20, 2018.

The Traverse City Light & Power Board (Board) held a Public Hearing at its April 10, 2018 meeting and subsequently adopted a supplemental rate in the amount of \$0.0085 per kWh that can be offered to customers for either 25, 50, 75, or 100% of their energy consumption.

In that regard the Board hereby states its intent for these additional “green” rate revenues to be separately tracked such that the balance of such funds may be readily determined and reported. The Board further intends that the “green” rate fund balance shall be dedicated to future renewable energy, or energy conservation efforts. Projects meeting these criteria shall be presented to the Board for its consideration.

Further, the Board acknowledges that this “Statement of Intent” is non-binding on future Boards of Traverse City Light & Power.



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Daren Dixon, Operations Manager
Date: April 24, 2018
Subject: Project Authorization Request – HL22 Eighth St Alley Rebuild

Staff is requesting authorization from the Board to proceed with development, design and construction to rebuild overhead circuit HL22 along the alley north of Eighth St. from Lake Avenue east to Railroad Avenue (0.45 miles) with 336 ACSR. This will improve reliability by replacing aged conductor, poles and line hardware at an estimated cost of \$185,000. This work was identified in the 2016 Electric Distribution Study performed by GRP Engineering, Inc. and is in the TCL&P Six Year Capital Improvements Plan.

Staff recommends Board approval of the project authorization for the HL22 Eighth St. Alley Rebuild Project and seeks the necessary Board approvals for expenditures in order to complete the project by November 1, 2018.

If the Board concurs, the following motion is recommended:

**MOVED BY _____, SECONDED BY _____,
THAT THE BOARD APPROVE AS PRESENTED THE HL22 EIGHTH ST. ALLEY
REBUILD PROJECT AND DIRECTS STAFF TO SOLICIT CONSTRUCTION BIDS
AND MATERIAL QUOTES FOR THE BOARD'S CONSIDERATION OF APPROVAL
AFTER DESIGN COMPLETION.**

PROJECT AUTHORIZATION REQUEST



TRAVERSE CITY
LIGHT & POWER

Project Name: HL22 Eighth Street Alley Rebuild

Budgeted in CIP: Yes

Dollar Amount Budgeted: \$185,000

Date of Board Presentation: May 8, 2018

Objective:

Target Completion date of November 1, 2018

Project Description:

Rebuild HL22 overhead circuit in the alley north of Eighth Street between Lake and Railroad Ave. (0.45 miles) with bare 336.4 ACSR, replacing poles and hardware as necessary.

Project Purpose and Necessity:

This project is being undertaken to improve circuit reliability by replacing aged poles, conductor and line hardware.

Project Benefits:

Decrease potential for equipment failure. There are also opportunities to improve line clearances and possibly property trespass issues.

Alternatives:

Do nothing; this would increase risk of equipment failure and increased outages.

Timeline:

Design Complete June 8, 2018

Bid Opening July 3, 2018

Construction Start July 10, 2018

Construction End November 1, 2018

Financing Methods:

Cash from TCL&P fund balance. Bonding will not be required.

PROJECT AUTHORIZATION REQUEST



TRAVERSE CITY
LIGHT & POWER

Revenues:

No additional revenues will be realized from this project; however, in the event of outages caused by aged equipment failure, revenue would be lost.

Impact on O&M Expenses:

In the event of failure of aged equipment, there is potential for after-hours callbacks for crews in order to perform repairs. Proactive replacement of aged equipment greatly reduces that risk.

Staff Recommendation: Staff recommends that the Board approve the HL22 Eighth Street Alley Rebuild project as presented and to authorize staff to seek competitive bids for construction.

Budget:

Professional Services:	\$18,000
Material:	\$47,000
Labor:	\$105,000
Contingency:	<u>\$15,000</u>
Total:	\$185,000



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Daren Dixon, Operations Manager
Date: May 3, 2018
Subject: Orchard Heights Project Closeout

The Orchard Heights Underground Conversion project was authorized at \$672K, but actual charges came in at \$457K, which is \$215K less than the approved amount. I will attempt to explain this large discrepancy as well as how it will be avoided in the future.

The majority of this discrepancy is due to an over estimation in material costs of \$181K. It appears that the costs entered in the Material category of the estimate also included the cost of labor to install the material, as opposed to being solely the cost of the materials. As labor for the project was also entered into the estimate in the Labor and Contractor Labor categories, this overinflated the estimate.

In addition to this, due to the project size there was a large contingency of \$82K. This was partially offset by an overrun in contract labor & equipment of \$42K and additional miscellaneous of \$6K.

There are a few preventive measures that I believe will be useful for avoiding this in the future:

- 1) **Estimates must be reviewed the Operations Manager** - This is not the current practice at TCL&P. As the Operations Manager, I will check to ensure that estimates are accurate, and that they follow policies, standards, and the intent of the project.
- 2) **The tools for creating estimates need to be more robust** – To date we have had no component-based system for estimating materials and labor for the various construction activities TCL&P is involved in. We will be working with our IT group to build this information into software TCL&P already owns.
- 3) **Projects of this size should be considered for external design/estimation** – As there are only two employees that currently can produce estimates for TCL&P, I will need to ensure that large and/or complex projects are able to receive adequate attention when being handled internally. A project tracker is being created to capture all CIP projects and will include target dates, approval and project status, responsibilities, long lead items or other resource requirements, etc. This, along with the review, will give me a better sense of Engineer workload and capacity.

Traverse City Light and Power
 Critical and Large Customer Project #1 - Final Close Out
 April 2018

Project Name						
Critical and Large Customer Project #1						
Sum of Amount	Column Labels	Budget	Contract	Cash outlay	Over (Under) Budget	Over (Under) Contract
Row Labels	Capital Plan					
Engineering & Admin & Construction Inspections		20,500.00		25,826.66	5,326.66	
Internal Engineering				25,826.66		
(blank)		20,500.00				
Contracted Labor & Equipment		72,900.00	146,150.00	144,340.00	71,440.00	(1,810.00)
Contract			146,150.00	144,340.00		
(blank)		72,900.00				
Internal Labor & Equipment				1,391.21	1,391.21	
(blank)				1,391.21		
Materials		131,600.00	112,335.09	112,535.45	(19,064.55)	
P 2017-1408			18,555.00	18,555.00		
P 2017-1411			22,436.11	22,502.41		66.30
P 2017-1417			69,496.00	69,405.66		(90.34)
P 2017-1422			1,506.00	1,506.00		
(blank)		131,600.00				
P 2018-1556			341.98	341.98		
Internal Inventory				224.40		
(blank)		270,000.00				
(blank)		270,000.00				
Contingency		30,700.00			(30,700.00)	
(blank)		30,700.00				
Grand Total		270,000.00	258,485.09	284,093.32	28,393.32	(1,834.04)

Traverse City Light and Power
 Orchard Heights Project - Final Close Out
 April 2018

Project Name		Orchard Heights					
Sum of Amount	Column Labels	Budget	Contract	Cash outlay	Over (Under) Budget	Over (Under) Contract	
Row Labels	Capital Plan						
Engineering & Admin & Construction Inspections		44,000.00	2,300.00	43,833.09	(166.91)	-	
S 2016-0661			2,300.00	2,300.00			
(blank)		44,000.00					
Internal Engineering				41,533.09			
Contract Labor & Equipment		328,000.00	352,068.00	369,785.00	41,785.00	18,217.00	
Contract			325,045.00	343,262.00		-	
S 2017-0715			21,373.00	21,373.00			
S 2017-0722			5,650.00	5,150.00		(500.00)	
(blank)		328,000.00					
Materials		218,000.00	39,417.54	37,036.90	(180,963.10)		
Direct Purchase				126.25			
L 2017-9306				57.98			
P 2016-1302			39,417.54	36,852.67		(2,564.87)	
(blank)		218,000.00					
Miscellaneous			725.00	6,209.09	6,209.09		
S 2016-0662			725.00	725.00			
(blank)				5,484.09			
(blank)	650,000.00						
(blank)	650,000.00						
Contingency		82,000.00			(82,000.00)		
(blank)		82,000.00					
Grand Total		650,000.00	394,510.54	456,864.08	(215,135.92)	15,152.13	



To: Light and Power Board
From: Karla Myers-Beman, Controller
Date: May 1, 2018
Subject: Quarterly Financial Report

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

Electric Utility Fund

As of March 31, 2018 (75% through the fiscal year), operating revenues - sales are 71.09% of budgeted operating revenues. The cause is directly related to lower than expected purchase power costs, which are 68.31% of budget. These costs are calculated in a twelve-month rolling average and passed through by the power cost recovery rate on a per kWh basis to the customer.

Total operating expenses are at 68.61% of budget year-to-date. Other categories with lower than anticipated expenditures to date are transmission costs at 58.29% because of expenses budgeted but not anticipated to occur along with a reduction of allocation of wages on positions not being filled for the whole fiscal year. Public service costs are at 53.83% relating to funds not expended for the energy waste reduction program.

Net income through the second quarter is \$2,218,502, which is approximately \$721,795 increase over the prior year. This primarily attributed to the approximate \$120,000 reimbursement for the M-72 Solar Project and \$400,000 reimbursement for the Cherry Capital Runway Expansion Project.

Cash flow statement shows approximately \$3,870,632 expended in capital assets, primarily for the Cherry Capital Runway Expansion Project (\$400,000 of costs to be reimbursed by Cherry Capital Airport), BW-31 Circuit Rebuild, Critical and Large Customer Project, M-72 Solar Project (costs reimbursed by Heritage) and the Cherryland Exchange Project.

Fiber Fund

Revenues in the Fiber Fund are 72.31% of budgeted operating revenues while expenses are 65.69% of budget year-to-date. WIFI Operations and Maintenance is at 89.02% of budget relating to Merit Network expenses incurred the first quarter relating for the WIFI system internet feed, a primary expense of this line item. This cost is reimbursed by the DDA through the Joint Wi-Fi Services Agreement. The Fund has a net loss or change in net position of (\$14,508).

TRAVERSE CITY LIGHT AND POWER

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

**ELECTRIC FUND
STATEMENT OF NET POSITION
MARCH 31, 2018**

ASSETS	LIABILITIES AND NET POSITION	
Current assets		
Cash and cash equivalents	\$ 5,119,464	\$ 1,511,709
Investments	14,449,128	718,306
Receivables		97,298
Customer, less allowances of \$320,423 for uncollectible accounts	2,689,668	2,444
Accrued interest	52,656	-
Taxes	1,442	-
Other	1,625,181	-
Inventories	1,739,630	-
Prepaid expenses	48,394	-
Total current assets	<u>25,725,563</u>	<u>2,329,756</u>
Non-current assets		
Other postemployment benefit asset	1,737,286	158,415
Long-term advances - due from primary government	285	-
Land and land improvements	1,079,419	-
Construction in progress	5,901,916	-
Capital assets being depreciated, net	53,202,891	774,212
Total non-current assets	<u>61,921,797</u>	<u>13,123,159</u>
Total assets	<u>87,647,360</u>	<u>15,452,915</u>
Deferred outflow	3,021,899	-
Total cash and investments	<u>\$ 19,568,592</u>	<u>\$ 74,442,132</u>
Current liabilities		
Accounts payable		-
Accrued expenses and other liabilities		-
Customer deposits		-
Unearned revenue		-
Compensated absences		-
Due to primary government		-
Total current liabilities		<u>2,329,756</u>
Long-term liabilities		
Compensated absences		158,415
Net pension liability		12,964,744
Total long term liabilities		<u>13,123,159</u>
Total liabilities		<u>15,452,915</u>
Deferred inflow		774,212
Net position		
Invested in capital assets		60,184,226
Unrestricted		14,257,906
Total net position		<u>\$ 74,442,132</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 MARCH 31, 2018

	Month to Month Comparison			Year to Year Comparison			Budget to Year to date Comparison			
	Month to date Actual	Month to date Prior Year	Month to date Difference	Year to date Actual	Year to date Prior Year	Year to date Difference	Amended Budget	Year to date Actual	Favorable (Unfavorable)	% of budget
Operating revenues - sales										
Residential	\$ 469,298	\$ 492,248	\$ (22,950)	\$ 4,596,769	\$ 4,660,656	\$ (63,886)	\$ 6,400,000	\$ 4,596,769	\$ (1,803,231)	71.82%
Commercial	1,228,441	1,186,060	42,382	11,292,157	10,917,175	374,982	15,560,000	11,292,157	(4,267,843)	72.57%
Industrial	757,378	688,556	68,823	6,881,862	7,051,856	(169,994)	10,050,000	6,881,862	(3,168,138)	68.48%
Public authority	16,093	16,659	(567)	208,335	219,311	(10,976)	300,000	208,335	(91,665)	69.44%
Street lighting	19,317	19,327	(11)	170,077	147,864	22,214	225,000	170,077	(54,923)	75.59%
Yard lights	10,206	10,247	(41)	91,194	72,990	18,204	155,000	91,194	(63,806)	58.83%
Total operating revenues - sales	2,480,734	2,413,098	67,636	23,240,395	23,069,851	170,543	32,690,000	23,240,395	(9,449,605)	71.09%
Other operating revenues										
Forfeited discounts	5,978	4,065	1,913	47,820	39,653	8,167	60,000	47,820	(12,180)	79.70%
Merchandise and jobbing	3,215	1,233	1,982	108,440	61,435	47,005	70,000	108,440	38,440	154.91%
Sale of scrap	3,457	273	3,184	56,488	21,999	34,489	35,000	56,488	21,488	161.39%
Recovery of bad debts	-	-	-	-	151	(151)	200	-	(200)	0.00%
MISO income	212,885	204,891	7,994	2,366,037	2,469,045	(103,008)	3,170,000	2,366,037	(803,963)	74.64%
Miscellaneous	3,060	13,194	(10,134)	27,187	38,213	(11,026)	40,000	27,187	(12,813)	67.97%
Total other operating revenues	228,594	223,655	4,939	2,605,972	2,630,496	(24,524)	3,375,200	2,605,972	(769,228)	77.21%
Nonoperating revenues										
Rental income	2,063	2,363	(300)	39,133	35,658	3,475	46,500	39,133	(7,368)	84.16%
Pole rental income	-	-	-	76,914	65,866	11,049	68,000	76,914	8,914	113.11%
Reimbursements	521,557	10,049	511,508	652,591	144,902	507,689	91,300	652,591	561,291	714.78%
Interest income	10,908	15,517	(4,609)	170,593	135,001	35,592	350,000	170,593	(179,407)	48.74%
Gain/loss on sale of assets	-	-	-	2,695	11,080	(8,385)	-	2,695	2,695	#DIV/0!
Total nonoperating revenues	534,528	27,929	506,599	941,926	392,506	549,419	555,800	941,926	386,126	169.47%
Total revenues	3,243,856	2,664,681	579,174	26,788,292	26,092,854	695,438	36,621,000	26,788,292	(9,832,708)	73.15%
Purchase power expense										
Non wholesale purchase power exp.	19,201	30,780	(11,579)	143,638	352,434	(208,796)	329,050	143,638	185,412	43.65%
Capacity costs	71,780	70,520	1,260	646,020	633,532	12,488	810,000	646,020	163,980	79.76%
MISO	132,603	(25,578)	158,181	492,209	146,836	345,372	2,640,000	492,209	2,147,791	18.64%
Stoney Corners	244,458	308,511	(64,053)	2,227,688	2,311,145	(83,457)	3,170,000	2,227,688	942,312	70.27%
M-72 Wind Turbine	2,731	3,437	(706)	26,089	22,699	3,390	48,000	26,089	21,911	54.35%
M-72 Solar	15,570	-	15,570	42,368	-	42,368	-	42,368	(42,368)	#DIV/0!
Combustion Turbine	364,375	299,590	64,785	3,281,535	3,144,685	136,850	4,500,000	3,281,535	1,218,465	72.92%
Campbell Coal Plant	325,964	317,641	8,323	3,123,918	2,960,364	163,554	4,522,500	3,123,918	1,398,582	69.08%
Belle River Coal Plant	161,411	326,166	(164,755)	2,261,744	3,123,012	(861,268)	3,800,000	2,261,744	1,538,256	59.52%
Landfill Gas	85,611	75,935	9,676	726,288	636,910	89,378	980,000	726,288	253,712	74.11%
Bilateral contracts	312,843	295,418	17,425	3,409,115	3,354,966	54,149	3,300,000	3,409,115	(109,115)	103.31%
Purchase power expenses	1,717,345	1,671,639	45,706	16,236,973	16,334,150	(97,176)	23,770,500	16,236,973	7,533,527	68.31%

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 MARCH 31, 2018

	Month to Month Comparison			Year to Year Comparison			Budget to Year to date Comparison			% of budget
	Month to date Actual	Month to date Prior Year	Month to date Difference	Year to date Actual	Year to date Prior Year	Year to date Difference	Amended Budget	Year to date Actual	Favorable (Unfavorable)	
Distribution	\$ 314,166	\$ 325,797	\$ (11,631)	\$ 3,050,846	\$ 2,866,098	\$ 184,748	\$ 4,261,500	\$ 3,050,846	\$ 1,210,654	71.59%
Transmission	47,926	29,670	18,256	306,098	307,823	(1,725)	525,100	306,098	219,002	58.29%
Customer accounting	42,385	37,291	5,094	386,146	379,677	6,469	561,550	386,146	175,404	68.76%
Public service	26,240	29,676	(3,436)	319,213	354,909	(35,696)	593,000	319,213	273,787	53.83%
General administration expense	97,198	102,101	(4,903)	897,918	927,110	(29,192)	1,276,100	897,918	378,182	70.36%
Other expenses										
Insurance	5,494	11,308	(5,814)	50,386	56,697	(6,311)	70,720	50,386	20,334	71.25%
City fee	125,000	125,000	-	1,295,322	1,288,343	6,979	1,820,000	1,295,322	524,678	71.17%
Depreciation	209,250	192,101	17,149	1,883,250	1,728,907	154,343	2,605,000	1,883,250	721,750	72.29%
Total expenses	2,604,206	2,555,363	48,842	24,569,790	24,596,146	(26,357)	35,812,520	24,569,790	11,242,730	68.61%
Income before transfers	639,650	109,318	530,332	2,218,502	1,496,707	721,795	808,480	2,218,502	1,410,022	0
Transfers in	-	-	-	-	-	-	125,000	-	(125,000)	#DIV/0!
Change in net position	\$ 639,650	\$ 109,318	\$ 530,332	\$ 2,218,502	\$ 1,496,707	\$ 721,795	\$ 933,480	\$ 2,218,502	\$ 1,285,022	

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 MARCH 31, 2018

Cash flows from operating activities	
Cash received from customers	\$ 26,565,842
Cash payments to employees	(4,418,644)
Cash payments to suppliers for goods and services	(17,541,238)
Cash payments of City fee	<u>(1,524,461)</u>
Net cash provided by operating activities	<u>3,081,499</u>
Cash flows from noncapital financing activities	
Customer deposits received	(149)
Rental income received	116,047
Reimbursements received	<u>652,591</u>
Net cash provided by noncapital financing activities	<u>768,489</u>
Cash flows from capital and related financing activities	
Purchase of capital assets	(3,870,632)
Sale of capital assets	<u>2,695</u>
Net cash used by capital and related financing activities	<u>(3,867,937)</u>
Cash flows from investing activities	
Purchase of investments	(497,419)
Interest and dividends	<u>170,593</u>
Net cash used by investing activities	<u>(326,826)</u>
Net decrease in cash and cash equivalents	(344,775)
Cash and cash equivalents, beginning of year	<u>5,464,241</u>
Cash and cash equivalents, end of year	<u>\$ 5,119,466</u>

TRAVERSE CITY LIGHT AND POWER

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

**FIBER FUND
STATEMENT OF NET POSITION
MARCH 31, 2018**

ASSETS		LIABILITIES AND NET POSITION	
Current assets		Current liabilities	
Cash and cash equivalents	\$ 235,686	Accounts payable	\$ 8,094
Accounts receivable	18,539	Accrued expenses and other liabilities	11,573
Inventory	5,956	Unearned revenue	14,815
Prepaid expenses	<u>694</u>	Due to primary government	<u>-</u>
Total current assets	<u>260,875</u>	Total current liabilities	<u>34,482</u>
Non-current assets		Long term liabilities	
Construction in progress	9,680	Compensated absences	3,530
Capital assets being depreciated, net	<u>1,326,740</u>	Invested in capital assets	1,336,420
Total non-current assets	<u>1,336,420</u>	Unrestricted	<u>222,863</u>
Total assets	<u>1,597,295</u>	Total net position	<u>\$ 1,559,283</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 MARCH 31, 2018**

	Amended Budget	Year to date Actual	Favorable (Unfavorable)	Percentage of Budget
Operating revenues				
Charges for services	\$ 319,000	\$ 230,682	\$ (88,318)	72.31%
Merchandising and jobbing	-	402	402	#DIV/0!
Total operating revenues	319,000	231,084	(87,916)	#DIV/0!
Operating expenses				
Salaries and wages	80,800	42,006	38,794	51.99%
Fringe benefits	94,600	67,014	27,586	70.84%
Supplies	6,400	4,079	2,321	63.74%
Pole attachments	-	11,016	(11,016)	#DIV/0!
WiFi Operations and maintenance	29,800	26,528	3,272	89.02%
Professional and contractual	1,500	1,551	(51)	103.40%
Professional development	2,500	932	1,568	37.26%
Insurance	1,000	350	650	35.02%
Repairs and maintenance	20,000	300	19,700	1.50%
Vehicle Rental	13,000	8,669	4,331	66.68%
City fee	15,975	-	15,975	0.00%
Depreciation	145,000	107,243	37,757	73.96%
Total operating expenses	410,575	269,689	140,886	65.69%
Operating (loss)	(91,575)	(38,604)	52,971	
Nonoperating revenues				
Reimbursements	53,400	24,096	(29,304)	45.12%
Interest income	500	-	(375)	25.00%
Total nonoperating revenues	53,900	24,096	(29,679)	1
Loss before transfers	(37,675)	(14,508)	(23,167)	
Transfers out	(125,000)	-	(125,000)	#DIV/0!
Change in net position	(162,675)	(14,508)	(148,167)	
Net position, beginning of year	1,573,791	1,573,791	-	
Net position, end of year	\$ 1,411,116	\$ 1,559,283	\$ (148,167)	



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Scott Menhart, Manager of Telecom & Technology
Kelli Schroeder, Manager of HR & Communications
Date: May 2, 2018
Subject: AMI Opt-Out Discussion

Following the recent communication on the upcoming AMI deployment through the customer bill insert, staff has been contacted by two or three customers requesting information on potentially 'opting-out' of having their current meter replaced and continue to operate under the old system

From the utility perspective, implementation of this new technology is to help improve reliability, efficiency, and accuracy within our system, along with obtaining metrics so staff can pro-actively respond to pending grid issues. On the customer side, the advantage is to help better monitor electric consumption. By having the overall system comprised of a mix of new meters and legacy meters will defeat the purpose of the main goal of the project.

Along with the items aforementioned, continuation of legacy metering would mean a continuation of entirely separate procedures and processes that would be completely eliminated with the new system, putting unnecessary support on maintaining two methods of customer billing. The utility will be required to continue manually reading meters, thus maintaining a full-time position instead of focusing our human capital with skill sets and job duties more in line with the technical side of the new meter system. The City would need to continually maintain the hardware and software responsible for collecting legacy meter reads along with the processes and procedures for the importing and exporting of the reads. Simply, continuation of just one legacy meter would continue an entirely separate operation to maintain, in addition to the new operation that would otherwise go away. Therefore, Staff recommends to not allow opt-outs for this project.

As the project progresses, Staff will be working and engaging directly with any citizen that would like to discuss concerns of the project to assist with any misconceptions about it. The discussion on this with the Board tonight is to gauge support for Staff's recommendation.