A REGULAR MEETING

Of The

TRVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

Tuesday, August 14, 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: 8-10-18
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 July 10, 2018. (Approval Recommended (p.4)

c. Consideration of approving the corrective action plan submission regarding Traverse City Light & Power's pension system to the State of Michigan Department of Treasury. (Approval Recommended) (Myers-Beman) (p.8)

d. Consideration of authorizing a Letter of Agreement with the Utility Workers Union of America, AFL-CIO Local No. 295. (Approval Recommended) (Dixon/Schroeder) (p.15)

e. Consideration of approving a partial material purchase for the Parsons Switching Station project (Approval Recommended) (Dixon/Chartrand) (p.18)

4. Unfinished Business

a. Consideration of approving the 2018 Strategic Plan. (Arends) (p.20)

5. New Business

a. Consumers Energy 46kV Rebuild. (Dixon) (p.45)

6. Reports and Communications

From Legal Counsel.

a. From Staff.

1. MPPA Update. (Arends) (p.47)
2. Discussion of potential renewable energy project on TCL&P owned property on Cedar Run Rd. (Arends/Watson) (p.48)
3. Capital Plan Update. (Arends/Myers-Beman) (p.59)
b. From Board.

7. Public Comment

a. General.

/fs
Board Members -

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

Absent:

Ex Officio Member -

Present: Marty Colburn, City Manager

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

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

Board Chairman Pat McGuire recognized Board Member Jan Geht for his years of service on the Light & Power Board.

Chairman McGuire moved that the Board agree to amend the Agenda to add: “Consideration of approving the fourth amendment to the Lease Agreement between Light & Power and New Cingular Wireless PCS, LLC be added as Agenda item 5 (c). Seconded by Taylor.

CARRIED unanimously.

Item 2 on the Agenda being Disclosure of Recusal - None

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


c. Appointing Kelli Schroeder as Officer Delegate and Karla Myers-Beman as Officer Alternate Delegate to cast official votes on behalf of TCL&P at the Annual Meeting of the Municipal Employees Retirement Systems.

d. Authorizing a Construction Agreement for the HL-22 Distribution Circuit Rebuild Project.

e. Approving a purchase order for material for the HL-22 Distribution Circuit Rebuild Project.

CARRIED unanimously.
Items Removed from the Consent Calendar

None.

Item 4 on the Agenda being Unfinished Business

a. a. Public Hearing regarding:

1. Amendment to the Primary Service High Load Factor Tariff Rate effective August 1, 2018.

The following individuals addressed the Board.

Karla Myers-Beman, Controller
Tim Arends, Executive Director

Chairman McGuire opened the Public Hearing.

The following individuals from the Public addressed the Board.

None.

Chairman McGuire closed the Public Hearing.

Moved by Shamroie, seconded by Hammersley, that the Light & Power Board approves the adoption of the amended Primary Service High Load Factor Tariff Rate effective August 1, 2018.

CARRIED unanimously.

Item 5 on the Agenda being New Business

a. Consideration of authorizing a Construction Agreement for renovations to Hastings Street Facility – Building D.

The following individuals addressed the Board:

Jacob Hardy, Key Accounts/Energy Technician

Moved by Hammersley, seconded by Shamroie, that the Board authorize the Chairman and Secretary to enter into a Construction Agreement for renovations to Building D with Spence Brothers Construction in the amount of $72,800, more or less; subject to approval as to form by the Executive Director and approval as to form by General Counsel. Further, the Board authorizes the Executive Director to approve change orders in the best interests of the utility.

CARRIED unanimously.
b. Consideration of approving a Project Authorization Request for the Lake Avenue Streetscape Lighting Project.

The following individuals addressed the Board:

Daren Dixon, Operations Manager

Moved by Shamroe, seconded by Taylor, that the Board approve as presented the Lake Ave. Streetscape Lighting Project and authorizes reimbursement to the City in the amount of $72,700.32, or less, for the construction of the Underground Lighting Circuit Infrastructure.

CARRIED unanimously.

c. Consideration of approving the fourth amendment to the lease between Light & Power and New Cingular Wireless PCS, LLC.

The following individuals addressed the Board:

Karla Myers-Beman, Controller
Scott Menhart, Mgr. of Telecom and Technology

Moved by Hammersley, seconded by Werner that the Light and Power Board authorize the Executive Director to enter into a fourth amendment to the Lease Agreement between Light & Power and New Cingular Wireless, PCS, LLC, subject to approval as to form by General Counsel.

CARRIED unanimously.

Item 6 on the Agenda being Reports and Communications

a. From Legal Counsel.

b. From Staff.

1. Structured discussion of 2018 Strategic Plan – Renewable Energy Goal

   The following individuals addressed the Board:

   Pat McGuire, Board Chairman
   Tim Arends, Executive Director

2. Fiber to the Premise Project Update

   The following individuals addressed the Board:

   Scott Menhart, Mgr. of Telecom & Technology
   W. Peter Doren, General Counsel
   Tim Arends, Executive Director
c. From Board

**Item 7 on the Agenda being Public Comment**

a. General

The following individuals from the Public addressed the Board:

Ric Evans, Groundwork Center for Resilient Communities

There being no objection, Chairman McGuire declared the meeting adjourned at 6:43 p.m.

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Tim Arends, Secretary
LIGHT AND POWER BOARD
To: Light & Power Board  
From: Karla Myers-Beman, Controller  
        Kelli Schroeder, Manager of HR & Communications  
Date: August 9, 2018  
Subject: Approval of Application for Waiver and Plan – Retirement System

The State of Michigan Department of Treasury ("Treasury") sent a letter on May 17, 2018 denying the utility’s pension system waiver application submitted by staff and approved by the board at the March 13, 2018 board meeting. (The waiver application was required to be submitted in accordance with Public Act 202 of 2017 (PA 202) for any retirement plan less than 60% funded.)

In the denial letter, the Treasury provided the option of making an appointment with their staff to assist the utility on how to resolve the denial. Staff scheduled a phone conference and during the call Treasury’s staff stated the utility was very close with the initial submission. The main reason for the denial was the prospective information provided from the previous actuarial did not show an increase in the funding level due to it not incorporating the ten-year amortization. Staff included the internal analysis presenting the impact of the ten-year amortization that showed an increased funding level, however, the Municipality Stability Board placed more emphasis on the actuarial information.

Upon recommendation of Treasury staff, the submission of the required corrective action plan will now include the updated table showing the impacts of the ten-year amortization schedule from the most recent actuarial report issued in May 2018 that was not available at the time the Application for the Waiver was originally submitted. The utility will also provide the updated table that now shows the utility’s funding level exceeding the 60% funding threshold at 61%.

Additionally, another threshold requirement of PA 202 is that the annual required contribution cannot be greater than 10% of the local unit of government’s annual general fund operation revenues. Treasury staff suggested to state in the corrective action plan the utility is not a primary government and the City’s General Fund Revenue should not be the measurement of this threshold and to disclose the annual required contribution is only 2.7% of the utility’s operating revenue.

Staff has incorporated Treasury staff’s recommendations and have included it for your review. In accordance with PA 202, the Board must approve the corrective action plan before it can be submitted to the Treasury even though the utility is now above the 60% threshold. Staff did not include all the attachments in an effort to save paper, however upon board request, staff will provide the reference attachments in the corrective action plan.
FOR THE LIGHT & POWER BOARD MEETING OF AUGUST 14, 2018

It is staff’s recommendation to approve the corrective action plan to be submitted to the Treasury. This item is on the Consent Calendar as it is deemed non-controversial. Approval of this item on the Consent Calendar means you agree with staff’s recommendation.

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

MOVED BY __________________________, SECONDED BY __________________________,

THAT THE BOARD APPROVES THE CORRECTIVE ACTION PLAN TO
BE SUBMITTED TO THE STATE OF MICHIGAN DEPARTMENT OF TREASURY.
Protecting Local Government Retirement and Benefits Act
Corrective Action Plan:
Defined Benefit Pension Retirement Systems


1. MUNICIPALITY INFORMATION

Local Unit Name: Traverse City Light and Power
Six-Digit Muni Code: 287516

Defined Benefit Pension System Name: Traverse City Light and Power MERS Defined Benefit Plan

Contact Name (Administrative Officer): Tim Arends

Title if not Administrative Officer: Executive Director

Email: tarends@tcp.org

Telephone Number: (231) 932-4558

2. GENERAL INFORMATION

Corrective Action Plan: An underfunded local unit of government shall develop and submit for approval a corrective action plan for the local unit of government. The local unit of government shall determine the components of the corrective action plan. This Corrective Action Plan shall be submitted by any local unit of government with at least one defined benefit pension retirement system that has been determined to have an underfunded status. Underfunded status for a defined benefit pension system is defined as being less than 60% funded according to the most recent audited financial statements, and, if the local unit of government is a city, village, township, or county, the annually required contribution for all of the defined benefit pension retirement systems of the local unit of government is greater than 10% of the local unit of government's annual governmental fund revenues, based on the most recent fiscal year.

Due Date: The local unit of government has 180 days from the date of notification to submit a corrective action plan to the Municipal Stability Board (the Board). The Board may extend the 180-day deadline by up to an additional 45 days if the local unit of government submits a reasonable draft of a corrective action plan and requests an extension.

Filing: Per Sec. 10(1) of PA 202 of 2017 (the Act), this Corrective Action Plan must be approved by the local government's administrative officer and its governing body. You must provide proof of your governing body approving this Corrective Action Plan and attach the documentation as a separate PDF document. Per Sec. 10(4) of the Act, failure to provide documentation that demonstrates approval from your governing body will result in a determination of noncompliance by the Board.

The completed plan must be submitted via email to Treasury at LocalRetirementReporting@michigan.gov for review by the Board. If you have multiple underfunded retirement systems, you are required to complete separate plans and send a separate email for each underfunded system. Please attach each plan as a separate PDF document in addition to all applicable supporting documentation.

The subject line of the email(s) should be in the following format: Corrective Action Plan-2017, Local Unit Name, Retirement System Name (e.g. Corrective Action Plan-2017, City of Lansing, Employees' Retirement System Pension Plan). Treasury will send an automatic reply acknowledging receipt of the email. Your individual email settings must allow for receipt of Treasury's automatic reply. This will be the only notification confirming receipt of the application(s).

Municipal Stability Board: The Municipal Stability Board shall review and vote on the approval of a corrective action plan submitted by a local unit of government. If corrective action is approved, the Board will monitor the corrective action for the following two years, and the Board will report on the local unit of government's compliance with the Act not less than every two years.
**Review Process:** Following receipt of the email by Treasury, the Board will accept the corrective action plan submission at the next scheduled meeting of the Board. The Board shall then approve or reject the corrective action plan within 45 days from the date of the meeting.

**Considerations for Approval:** A successful corrective action plan will demonstrate the actions for correcting underfunded status as set forth in Sec. 10(7) of the Act (listed below), as well as any additional solutions to address the underfunded status. Please also include steps already taken to address your underfunded status as well as the date prospective actions will be taken. A local unit of government may also include in its corrective action plan, a review of the local unit of government's budget and finances to determine any alternative methods available to address its underfunded status. A corrective action plan under this section may include the development and implementation of corrective options for the local unit of government to address its underfunded status. The corrective options as described in Sec. 10(7) may include, but are not limited to, any of the following:

(i) Closing the current defined benefit plan.

(ii) Implementing a multiplier limit.

(iii) Reducing or eliminating new accrued benefits.

(iv) Implementing final average compensation standards.

**Implementation:** The local unit of government has up to 180 days after the approval of a corrective action plan to begin to implement the corrective action plan to address its underfunded status. The Board shall monitor each underfunded local unit of government's compliance with this act and any corrective action plan. The Board shall adopt a schedule, not less than every 2 years, to certify that the underfunded local unit of government is in substantial compliance with the act. If the Board determines that an underfunded local unit of government is not in substantial compliance under this subsection, the Board shall within 15 days provide notification and report to the local unit of government detailing the reasons for the determination of noncompliance with the corrective action plan. The local unit of government has 60 days from the date of the notification to address the determination of noncompliance.

### 3. DESCRIPTIONS OF PRIOR ACTIONS

Prior actions are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the prior actions implemented by the local government to address the retirement system's underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement system as a whole.

➤ **Please Note:** If applicable, prior actions listed within your waiver application(s) may also be included in your corrective action plan.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what has the local unit of government done to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).
Note: Please provide the name of the system impacted, the date you made the change, the relevant page number(s) within the supporting documentation, and the resulting change to the system's funded ratio.

Category of Prior Actions:

☒ System Design Changes - System design changes may include the following: Lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

Sample Statement: The system’s multiplier for current employees was lowered from 2.5X to 2X for the General Employees’ Retirement System on January 1, 2017. On page 8 of the attached actuarial supplemental valuation, it shows our funded ratio will be 60% by fiscal year 2020.

The system’s multiplier for new hire union employees was lowered from 2.25% to 1.5% based on base wage only. This was implemented for union employees hired after 7/1/2012. The system’s multiplier for new hire non-union employees was lowered from 2.25% to 1.5% based on base wage only. This was implemented for new hire non-union employees hired after 7/1/2017. See Attachment 6a.

☒ Additional Funding – Additional funding may include the following: Voluntary contributions above the actuarially determined contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: The local unit provided a lump sum payment of $1 million to the General Employees’ Retirement System on January 1, 2017. This lump sum payment was in addition to the actuarially determined contribution (ADC) of the system. The additional contribution will increase the retirement system’s funded ratio to 61% by 2025. Please see page 10 of the attached enacted budget, which highlights this contribution of $1 million.

On an annual basis during budget, staff reviews continuing on a ten year accelerated payment schedule (reduced each year) based on market value. The accelerated funding was first adopted for the fiscal year ending June 30, 2017 and the board has committed the accelerated funding through June 30, 2019. Each year the additional contributions are evaluated during the budget process. The accelerated funding will lead to an approximate additional cumulative $3,000,000 in contributions to the pension fund. See Attachment 4a.

☒ Other Considerations – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: The information provided on the Form 5572 from the audit used actuarial data from 2015. Attached is an updated actuarial valuation for 2017 that shows our funded ratio has improved to 62% as indicated on page 13.

Attached is an updated actuarial valuation for 2017 that shows our funded ratio has improved to 61% as indicated on page 5 ofAttachment 2a.

4. DESCRIPTION OF PROSPECTIVE ACTIONS

The corrective action plan allows you to submit a plan of prospective actions which are separated into three categories below: System Design Changes, Additional Funding, and Other Considerations. Please provide a brief description of the additional actions the local government is planning to implement to address the retirement system’s underfunded status within the appropriate category section. Within each category are sample statements that you may choose to use to indicate the changes to your system that will positively affect your funded status. For retirement systems that have multiple divisions, departments, or plans within the same retirement system, please indicate how these changes impact the retirement system as a whole.

Please indicate where in the attached supporting documentation these changes are described and the impact of those changes (i.e. what will the local unit of government do to improve its underfunded status, and where can we find the proof of these changes in the supporting documentation?).
Category of Prospective Actions:

☐ System Design Changes - System design changes may include the following: Lower tier of benefits for new hires, final average compensation limitations, freeze future benefit accruals for active employees in the defined benefit system, defined contribution system for new hires, hybrid system for new hires, bridged multiplier for active employees, etc.

Sample Statement: Beginning with summer 2018 contract negotiations, the local unit will seek to lower the system’s multiplier for current employees from 2.5X to 2X for the General Employees’ Retirement System. On page 8 of the attached actuarial supplemental valuation, it shows our funded ratio would be 60% funded by fiscal year 2020 if these changes were adopted and implemented by fiscal year 2019.

☐ Additional Funding – Additional funding may include the following: voluntary contributions above the actuarially determined contribution, bonding, millage increases, restricted funds, etc.

Sample Statement: Beginning in fiscal year 2019, the local unit will provide a lump sum payment of $1 million to the General Employees’ Retirement System. This lump sum payment will be in addition to the actuarially determined contribution (ADC) of the system. The additional contribution will increase the retirement system’s funded ratio to 61% by 2025. Please see page 10 of the attached enacted budget, which highlights this contribution of $1 million. Please see page 12 of the attached supplemental actuarial valuation showing the projected change to the system’s funded ratio with this additional contribution.

The board through the budget process approved continuing the ten year accelerated funding schedule for another fiscal year (currently on year 8). See attachment 4a.

☐ Other Considerations – Other considerations may include the following: outdated Form 5572 information, actuarial assumption changes, amortization policy changes, etc.

Sample Statement: Beginning in fiscal year 2019, the local unit will begin amortizing the unfunded portion of the pension liability using a level-dollar amortization method over a closed period of 10 years. This will allow the retirement system to reach a funded status of 62% by 2022 as shown in the attached actuarial analysis on page 13.

Current actuarial report provides projection scenarios of funding levels increasing over the current funding ratio of 61% by reflecting the ten year accelerated payment schedule. See page 12 of Attachment 2A. Public Act 202 of 2017 requires oversight of an entity when the ARC exceeds 10% of the government’s annual general fund operating revenue. TCLP is a non primary government currently at 2.7% of operating revenues, significantly under the 10%.

5. CONFIRMATION OF FUNDING

Please check the applicable answer:

Do the corrective actions listed in this plan allow for (insert local unit name) Traverse City Light and Power to make, at a minimum, the annual required contribution payment for the defined benefit pension system according to your long-term budget forecast?

☐ Yes
☐ No

If No, Explain:
6. DOCUMENTATION ATTACHED TO THIS CORRECTIVE ACTION PLAN

Documentation should be attached as a .pdf to this Corrective Action Plan. The documentation should detail the corrective action plan that would be implemented to adequately address the local unit of government’s underfunded status. Please check all documents that are included as part of this plan and attach in successive order as provided below:

**Naming convention:** when attaching documents please use the naming convention shown below. If there is more than one document in a specific category that needs to be submitted, include a, b, or c for each document. For example, if you are submitting two supplemental valuations, you would name the first document “Attachment 2a” and the second document “Attachment 2b”.

<table>
<thead>
<tr>
<th>Attachment</th>
<th>Type of Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attachment – 1</td>
<td>This Corrective Action Plan Form (Required)</td>
</tr>
<tr>
<td>Attachment – 1a</td>
<td>Documentation from the governing body approving this Corrective Action Plan (Required)</td>
</tr>
<tr>
<td>Attachment – 2a</td>
<td>Actuarial Analysis (annual valuation, supplemental valuation, projection)</td>
</tr>
<tr>
<td>Attachment – 3a</td>
<td>Internally Developed Projection Study</td>
</tr>
<tr>
<td>Attachment – 4a</td>
<td>Documentation of additional payments in past years that is not reflected in your audited financial statements (e.g. enacted budget, system provided information).</td>
</tr>
<tr>
<td>Attachment – 5a</td>
<td>Documentation of commitment to additional payments in future years (e.g. resolution, ordinance)</td>
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<tr>
<td>Attachment – 6a</td>
<td>A separate corrective action plan that the local unit has approved to address its underfunded status, which includes documentation of prior actions, prospective actions, and the positive impact on the system’s funded ratio</td>
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<tr>
<td>Attachment – 7a</td>
<td>Other documentation, not categorized above</td>
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7. LOCAL UNIT OF GOVERNMENT'S ADMINISTRATIVE OFFICER APPROVAL OF CORRECTIVE ACTION PLAN

1. Tim Arends   
   Executive Director  
   (Ex: City/Township Manager, Executive director, and Chief Executive Officer, etc.) approve this Corrective Action Plan and will implement the prospective actions contained in this Corrective Action Plan.

Signature ___________________________  Date ___________________________
To: Light & Power Board  
From: Daren Dixon, Operations Manager  
       Kelli Schroeder, Manager of HR & Communications  
Date: July 27, 2018  
Subject: Union Letter of Agreement - Standby, Overtime and Storm Work for Lineworkers

Both the Union and Staff agree that the following processes in the Collective Bargaining Agreement (CBA) require clarity in order for consistency in application:

- Assigning Scheduled Overtime  
- Assigning Call Backs for those not on Standby  
- Assigning non-TCL&P Storm Work

While much of the following has been in practice, the attached Letter of Agreement provides clarity not found in the CBA for the following:

- Doodle polls will continue to be the method to request participation in scheduled overtime work. If no one volunteers for overtime, it will be assigned starting with those qualified employees having the lowest overtime.  
- Management may use standby employees for scheduled work estimated to be an hour or less in duration. In order to keep standby employees available for emergencies, Management will poll non-standby personnel for availability.  
- Only workers that did not get to go on the last occurring non-TCL&P related storm would be eligible for a random draw on emergent storms. Should no one accept the work, it will be offered to those that did go on the last storm, starting with the person having the least amount of overtime.

Staff recommends that the Board approve the attached Letter of Agreement with UWUA Local No.295. This item is on the Consent Calendar as it is deemed by staff to be a non-controversial item. 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, the item should be placed on the “Items Removed from the Consent Calendar” portion of the agenda for full discussion.

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

(RECOMMENDED MOTION ON NEXT PAGE)
FOR THE LIGHT & POWER BOARD MEETING OF AUGUST 14, 2018

MOVED BY __________________, SECONDED BY ____________________.

THAT THE BOARD AUTHORIZE THE EXECUTIVE DIRECTOR TO SIGN THE LETTER OF AGREEMENT BETWEEN TCL&P AND THE UTILITY WORKERS UNION OF AMERICA LOCAL NO.295 THAT AMENDS THE COLLECTIVE BARGAINING AGREEMENT LANGUAGE REGARDING ASSIGNMENT OF SCHEDULED OVERTIME, STORM WORK, AND CALL BACKS FOR THOSE NOT ON STANDBY.
Letter of Agreement
between
Traverse City Light & Power
and
Utility Workers Union of America, AFL-CIO Local No. 295

Regarding On-Call, Call Back, Overtime and Storm Work for TCL&P Line Workers

WHEREAS, the undersigned are parties to a Collective Bargaining Agreement (CBA) expiring on June 30, 2020; and

WHEREAS, the CBA is not clear about the process of assigning scheduled overtime, or call back for those that are not on Standby; and

WHEREAS, both union and management agree that clarification is needed to allow for fairness and consistency in the process of assigning work outside of the normal workday,

THEREFORE, be it known that the Employer and the Union agree that:

- Management will continue to utilize doodle poll or similar method for scheduled overtime work and the Line Department employees will respond timely to the poll.
- Upon completion of the poll, voluntary assignment of overtime work will be offered in order starting with the employee with the least amount of overtime. If no employee(s) volunteer, assignment of the overtime work will be required starting again from those qualified employees with the lowest amount of overtime.
- Management may use employees on “Standby” for scheduled work estimated not to exceed one hour. If more than one hour, all other qualified employees must be polled to determine availability.
- For storm work on non-TCL&P facilities, there will be a random draw with right of first refusal for all eligible line workers. The employees that went on the preceding non-TCLP storm event will not be included in the initial draw. In the event that no eligible line workers from the initial draw accept the work, it will be offered to those that were not in the initial draw starting with the person having the least amount of overtime.

WHEREBY, the parties signify agreement to the above by representative signatures appearing hereon.

Traverse City Light & Power Department

By: ______________________________
Timothy Arends, Executive Director

Date: ______________________________

Utility Workers Union of America,
AFL-CIO Local No. 295

By: ______________________________
Rob Hipp, President Local 295

Date: 7-6-2018
To: Light & Power Board  
From: Tony Chartrand, Systems Engineer  
Date: July 31, 2018  
Subject: Parsons Switching Station Project – Motor Operator Purchase Authorization Request

GRP Engineering solicited bids for the purchase of three (3) Motor Operators for the existing S&C 15 kV Switches at Parsons Substation for the Parsons Switching Station project. Only one (1) bid was received:

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Price</th>
</tr>
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<tbody>
<tr>
<td>Irby</td>
<td>$45,468.00</td>
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After review by staff, it is recommended TCL&P issue a purchase order to Irby in the amount of $45,468.00 for three motor operators, following the attached recommendation from GRP. These motor operators match the ones in the Cass Rd Substation and South Substation, so fewer spare parts are needed. 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 IRBY IN THE AMOUNT OF $45,468.00 FOR A 15KV MOTOR OPERATOR TO BE USED FOR THE PARSONS SWITCHING STATION PROJECT.
August 5, 2018
18-0929.01

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

RE: Parsons Switch Station
MOIS Motor Operators

Dear Daren:

On behalf of TCL&P, GRP Engineering, Inc. requested quotes through Irby for the purchase of three (3) MOIS motor operators for the Parsons Switch Station project. These motor operators are being installed on three existing S&C 15kV switches on the secondary side of the substation transformers and the bus tie switch. Since the motor operators are being installed on existing switches, quotes were only requested from the manufacturer of the switches. Irby, the authorized vendor for S&C in Michigan, provided a quote of $15,156.00 per switch for a total price of $45,468.00.

GRP Engineering, Inc. sees no reason not to accept Irby’s quote for purchase of the MOIS motor operators. Please contact me should you have any questions.

Sincerely,

GRP Engineering, Inc.

Michael P. McGeehan, P.E.
Project Engineer

cc: Traverse City Light & Power
Mr. Tony Chartrand
After the study session held on May 15, 2018, along with feedback provided at the June 12, 2018 and July 10, 2018 board meeting, staff processed the information provided and prepared the Traverse City Light and Power (TCL&P) Strategic Plan – 2018 ("Plan") for your review.

Staff modified the six strategic issues based on input from the Board and condensed it down to four strategic issues by combining System Reliability, High Quality Workforce, Technology into Enhancing Operational Excellence. Leaving Financial Stability, Power Supply, and Customer Satisfaction as standalone strategic issues.

The renewable energy goal, which had the most discussion and input from the Board at the strategic planning study session and the past two board meetings is included under the power supply goals is drafted below unless further amendments are suggested by the Board.

1. Traverse City Light & Power commits to setting a long-term goal of providing 100% renewable power to its customers in a fiscally sound manner. The utility intends to meet this long-term goal by progressing from its current renewable portfolio of roughly 12% (wind, landfill gas, and solar) by achieving the following interim goals.
   a. First, TCL&P will obtain new generation capacity from clean energy to meet or exceed the statutory mandate of 15% from clean & renewable energy sources by 2021;
   b. Second, TCL&P intends to obtain sufficient generation to fulfill at least 40% of its energy portfolio requirements from clean & renewable energy by 2025;
   c. Third, the utility will strive to obtain 100% of its generation with renewable energy by or before 2040.

Staff will be presenting highlights on each strategic issue to the Board and is recommending for the Board to approve the strategic plan.

If the board agrees with staff’s recommendation the following motion would be appropriate:

(MOTION ON NEXT PAGE)
FOR THE LIGHT & POWER BOARD MEETING OF AUGUST 14, 2018

MOVED BY ____________________, SECONDED BY ____________________.

THAT THE BOARD ADOPT THE TRAVERSE CITY LIGHT & POWER STRATEGIC PLAN – 2018 AS PRESENTED.
Introduction from the Executive Director

In 2013, Traverse City Light & Power (TCL&P) embarked on developing a Strategic Plan ("Plan") that could challenge the public power utility to exceed customer expectations while meeting the everchanging challenges of the electric utility industry. For 2018 and beyond, financial stability, power supply strategy focusing on environmental stewardship, enhancing operational excellence, and customer satisfaction are among the core values of the utility.

The purpose of the Plan is to serve as a guiding document for 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.

The Plan provides a blueprint for strategic planning and goal setting into the future and its development follows the process outlined in the diagram below. Semi-annually, the utility staff reports to the Board on the progress towards specific goals identified in the Plan, and annually, staff and the Board update the Plan to ensure it remains a relevant guiding document for TCL&P in this ever-changing utility industry. Then, at least every five years, or earlier if needed, the Board and staff goes through a more in-depth process of strategic planning which may include revising the strategic issues of the utility.

Timothy J. Arends
Executive Director
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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 signal operation and maintenance, complimentary downtown Wi-Fi network, dark fiber system, street lighting, and is embarking on a community wide fiber to the premise system, 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 parts of outlying areas in East Bay, Elmwood, Garfield, 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. In the last five years, capital projects have been focusing on system reliability and transitioning the system to a looped system. These include construction of new transmission and distribution substations, upgrades of key transmission lines, and planned construction of a switching station.

Currently, TCL&P is a $35 million operation with net assets of $72 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, 2017 the utility served an average of 12,566 customers and sold 326,436 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 537 kWh per month, which equates to a monthly bill of $58.04. In 2017, TCL&P surveyed the rates of forty-one utilities in Michigan, and ranked fourth lowest for residential, fourteenth lowest for small commercial, and third 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 more than eighteen inches 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.

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 Wi-Fi 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 Wi-Fi system with the DDA reimbursing TCL&P for the costs. TCL&P will be fully reimbursed in 2025.

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.

As of June 2015, TCL&P placed in service the East Hammond Substation to increase reliability of the transmission system and meet FERC reliability standards. The overall project cost was approximately $7.3 million when encompassing the related joint transmission line construction projects with Consumers Energy.
As of January 2016, TCL&P placed in service the South Substation to increase reliability of the distribution system in order to handle the load growth from 1987 when the last substation was constructed. Overall the project cost was approximately $5 million.

During 2017, Cherryland Electric Cooperative ("Cherryland") and TCL&P performed a customer territory swap as a result of the River Road line no longer serving a purpose for TCL&P due to the decommissioning of the Brown Bridge Dam. In exchange for River Road, TCL&P received Cherryland customers on Three Mile Road and in the Barlow Street area. This benefited TCL&P by securing the revenue base going forward without impairing future expansion of the utility and allowed the TCL&P service area to become more condensed, providing operational efficiencies.

In May 2017, TCL&P implemented an Art on Utility Infrastructure program that provides customers the opportunity to have artwork placed on TCL&P owned infrastructure. Since its inception, artwork has been placed on ten padmounted cabinets throughout the City.

In the fall of 2017, the M-72 Solar Project was completed. This collaborative project between TCL&P, City of Traverse City and Heritage Sustainable Energy, LLC provides 1 megawatt of solar energy towards the City of Traverse City's 100% renewable goal. A total of 3,400 solar panels were installed on approximately 5.5 acres near the M-72 Wind Turbine. The City subscribed through the Utility's Solar Governmental Renewable Power Cost Recovery Rate as a mechanism to have the generated renewable energy from M-72 Solar array dedicated to the City.

In May 2018, TCL&P again 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 was previously awarded platinum in 2015 and the gold designation in 2013.
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.

**FINANCIAL STABILITY**

Some of the key trends within the financial area is legacy costs, the potential risk of eliminating tax exempt bonds as a financing mechanism for municipal utilities and impacts of new technology and trends on the utility’s tariff rates/revenue base.

Recently, the State of Michigan passed legislation protecting local government retirement and benefits. The act has three primary purposes 1) Requiring greater reporting and transparency of the government entity’s pension and other post-employment benefit plans (“OPEB”); 2) Implement a pension and OPEB stress test regarding the financial health of the entity’s plans; and 3) Create a Municipal Stability Board to review the corrective action plans for those entities not meeting the stress test.

The utility has made significant strides in reducing legacy costs, including ten-year amortization accelerated pension payments, revised pension plans for new hires that consist of reducing the multiplier and minimizing the final average compensation. For the OPEB plan the utility annually pays the required contribution in addition to the retiree’s annual health insurance premiums. This benefit for new hires has been reduced from retiree health care for life to when they are Medicare eligible. Although the utility has been proactive in addressing these costs, they are still a significant liability on the financial statements that need to be continually monitored.

Even though the utility currently does not have an established bond rating, on an annual basis MPPA provides a credit rating analysis similar to a third-party credit rating agency. This year, like past years, the utility received an excellent rating. It is important for the utility to preserve this rating as it will allow the utility to easily borrow money with optimal terms for financing as the utility comes closer to the financing stage of the Fiber to the Premise Project (FTTP). Additionally, at the federal level it seems the risk for elimination of the tax-exempt bonds appears to be minimal. However, in the future, if this were to be proposed again through legislation at the federal level it will impact the utility’s borrowing costs and the ability to sell bonds.

It is becoming more common today for customers to install and generate their own power at a financial benefit to them. With the installation of a customer owned system, the electric utility’s traditional service model serving as the primary feed, is now becoming the customer’s secondary source for electric power.

TCL&P must maintain the system’s infrastructure assets (substations, poles, transmission and distribution lines, etc.), which are considered fixed costs 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 and is commonly referred to as “buy all sell all”. While the utility must 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.
Additionally, utility sales have been impacted through customers conserving or implementing energy waste reduction products or programs. This is often referred to as the "negawatt" or avoided energy. The effects of avoiding this energy at peak time is preventing infrastructure in place to handle peak times that occur for a limited amount of time, basically laying idle causing an increase in costs to our customers. Also, there is an increase in generation and transmission costs in generating the energy avoided through the negawatt. On the other side, one less megawatt of sales to the utility is less revenue to capture to cover capital costs and expenses relating to replacing aged infrastructure and the operational costs of the utility. To prevent the utility from not recovering their costs, the rate structure needs to match the cost structure, which means moving fixed costs away from variable consumption. In other words, electricity costs are being significantly paid through a per kWh charge based on consumption, rather these should be a monthly fixed charge since the utility’s costs do not decline when customers consume less electricity.

As TCL&P moves forward and away from the traditional customer service model it must envision and incorporate new revenue streams to diversify its revenue base to ensure financial sustainability into the future.

**POWER SUPPLY**

In December 2016, the governor signed into law energy legislation to ensure Michigan has sufficient generation capacity, as several coal-fired plants are planned to close in the next several years. The legislation also modified requirements of Public ACT 295, specifically, requiring utilities to obtain levels of renewable energy in their portfolio over the next few years with the final allocation being 15% by 2021. Additionally, the legislation also includes an energy waste reduction component that focuses on reducing energy consumption. The State increased the mandated energy savings from 1 percent cap of utility sales to 1.5% or higher.

As typical generation sources such as coal fired generation transitions and continues to decommission, the utility must look toward other resources such as natural gas, renewable energy, and battery storage. To complement the transition of generation sources the utility must also consider other methods to reduce our load such as demand response and energy waste reduction programs.

The current state of the electrical market has shown unprecedented surplus in natural gas inventory which has caused energy prices to decline to historic lows. This impacts the utility’s wholesale rate and contributes to overall lower customer rates.

Additionally, the utility is mindful of the potential constraints such as remaining terms of existing entitlement contracts, the uncertainty of future MISO tariff adjustments as more intermittent renewable energy sources come online replacing the traditional coal generation, availability of suitable renewable energy projects, additional market costs associated with intermittent generation, and unfavorable economics of developing our own local renewable energy.
ENHANCING OPERATIONAL EXCELLENCE

TCL&P customers currently enjoy a reliable electric service, low rates and a general sense of a utility that is easy to work with; however, there are constant pressures on these that may only be mitigated by an enterprise-wide cultural shift towards improving both the value and delivery of electric service. Truly effecting this change will require employee involvement in necessary improvements to their department and for each employee to understand the flow of the value to TCL&P customers. Through involvement in cradle to grave process reviews, as well as training and resource needs, employees can feel more empowered and motivated to bring about the changes necessary to increase value and delivery to TCL&P customers.

However, there are significant challenges across the industry to recruit skilled labor to replace the loss of seasoned employees. Currently a shortage exists with the available workforce overall, but especially to fill trade positions such as Journeyman Line Worker. Competition for talent across the utility industry will require us to analyze what workers value from their employers, whether it be wages, benefits, a challenging and innovative work environment or something else. This will not only aid in recruitment but also retention.

In addition to garnering best practices through employee involvement, 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.

As the utility diversifies its business by embarking into FTTP, there are many components that must be considered, analyzed, and executed. While this is a huge economic development opportunity for the community, as with all new ventures, there is significant operating risk especially in an already established market with similar services provided. These risks include effective price points, take rates, determination of level and type of services provided, effective marketing campaigns, adequate staffing and overall financing and infrastructure construction.
CUSTOMER SATISFACTION

Today's customers are wanting more options from their utility. This can be anything from the choice of what communication channels to use regarding outages, consumption patterns and billings to alternative energy choices.

Offering new programs and multi-channel opportunities to connect with customers comes as a challenge. 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.
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 four 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
- Enhancing Operational Excellence
- 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 area focused on for this strategic issue include:

- Practice good financial stewardship

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

The electric utility industry is in a new era of regulations that may affect all types of generation including causing aged coal plants to be decommissioned, utilization of 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 is implementing 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 these impacts, the utility will be committed in providing competitive and equitable rates to their customers. Additionally, staff will be exploring new revenue streams such as electric vehicle charging stations for the purpose in diversifying the utility’s revenue base to provide financial stability well into the future.
2. **Continue to enhance internal controls over financial accounts by improving current procedures and processes.**
   The utility monitors risk for each type of financial account based on current operating environment along with procedures and processes. As this review occurs, in conjunction with internal control design enhancements, the utility is always focusing on ensuring accurate financial reporting to the utility's owners and/or ratepayers.

3. **Commit to reviewing and consistently achieving targeted rate of return.**
   On an annual basis during the budget process staff reviews with the board the utility's targeted rate of return (operating income greater than interest expense on debt and inflationary increase in asset replacement costs). As part of this process the utility will always take into consideration managing cost growth along with comparing them to the associated revenues and make suggested improvements on policy, procedures and charges. By making this commitment the utility will have a financial plan that has a rate strategy that provides adequate cash in accordance with the utility’s minimum cash reserve policy for capital replacement needs while maintaining competitive rates.

4. **Commit to monitor performance measurements.**
   Staff will continue to review performance measurements published by the American Public Power Agency and thresholds used by credit agencies to ensure the utility will receive an above average bond rating while providing a mechanism for management to identify effectiveness and efficiency of operations.
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. 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.”

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

1. Traverse City Light & Power commits to setting a goal of providing 100% renewable power to its customers in a fiscally sound manner. The utility intends to meet this goal by progressing from its current renewable portfolio of roughly 12% (wind, landfill gas and solar) by achieving the following interim goals.
   a. First, TCL&P will obtain new generation capacity from clean energy to meet or exceed the statutory mandate of 15% from clean & renewable energy sources by 2021;
   b. Second, TCL&P intends to obtain sufficient generation to fulfill at least 40% of its energy portfolio requirements from clean & renewable energy by 2025;
   c. Third, the utility will strive to obtain 100% of its generation with renewable energy by or before 2040.

2. Implement tools 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.
   Knowing that “the lowest cost energy is the energy that is saved,” TCL&P plans on utilizing mechanisms such as demand response, time of use rates, electrical vehicles and energy storage as tools to level out daily electricity demand. These tools provide valuable resource options towards potential savings through reduction of on peak demand and defer construction of new power plants and power delivery systems. Additionally, staff will be following the recommendations in the Energy Optimization Program Planning report which focuses on the energy waste reduction initiatives that provide the biggest impacts on the utility that make the most financial sense.

   The IRP will be updated with the latest information and reviewed with new 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 and diversifying the power supply portfolio of the utility.
4. Develop a long-term plan for the energy waste reduction program.
Every year staff strives to achieve 100% of the goal set by the state while being fiscally responsible. The utility will continue to utilize the Energy Optimization Program Planning report and look for new and innovative ways to achieve the desired goals as technology evolves. Continuation of an energy waste reduction program is strongly desired once the state mandate expires, and staff will work to develop what the new program will entail for a successful implementation.
4.3 Enhancing Operational Excellence

Striving to achieve operational excellence is one of the most important aspects of an organization’s sustainable performance. Utilities that reach for a higher level of operational excellence receive numerous benefits that includes processes that are well thought out and efficient; a continually productive workforce; and an organization that consistently monitors and grows with industry changes. This results in properly managed assets that maintain the integrity of the system, utilization of technology to support streamlined processes, and a committed and empowered workforce. The objectives for this strategic issue are to:

- Continually improve system reliability in both the short and long term.
- Ensure processes maximize effectiveness and efficiency.
- Investigate and implement technological solutions that are cost effective and efficient.
- Create a culture of employee motivation for continuous improvement through involvement.

The Operating Strategy for Enhancing Operational Excellence is to:

"Involve employees in planning, process and technology improvements to create a culture that supports the delivery of highly reliable energy in a safe, efficient and cost-effective manner."

Eight main Business Goals were identified to enhance TCL&P’s Operational Excellence:

1. **Annually review, enhance and develop system maintenance programs ensuring Average Service Availability Index ("ASAI") remains above 99.970%.
   
   It is the number of customer hours that service was available during a given time period to the total customer hours demanded (in fiscal year 2017/2018 it was 99.993%). TCL&P plans to develop and implement a transmission and distribution asset management plan involving routine inspections and maintenance targets (this has already been created for substations). The company’s GIS system will be utilized to track and report upon conditions requiring repair and a baseline survey utilizing LIDAR technology will be investigated. This will result in improved asset data, budgeting, reliability and safety, as well as the maximization of assets and labor resources. In addition, improvements to vegetation management contracts will be looked at to ensure cycles are being completed irrespective of emergent tree work.

2. **Annually plan and prioritize capital system improvements for the six-year plan.**
   
   Operations and Engineering will annually identify and prioritize capital projects that will provide a significant improvement in system reliability and power quality to TCL&P customers using a rating system that will consider the potential impact to ASAI (from goal 4.3.1) and system capacity. It is expected that the maintenance program in 4.3.1 will eventually reduce the scope and cost of some of the future capital projects as more of the electric system is kept up to date.
3. **Review current workplace flows for efficient and effective improvements that will provide for proper planning, review, approval and execution of utility projects.**
   Involving employees in the mapping of process flows leads to the entire group having a broader knowledge of how each area contributes to, and is affected by, the overall process. This results in a greater sense of ownership and motivation in contributing to positive changes. A few of the processes that require improvements in the near future are estimating, project review, work order management and logistics. The new work order management system will be instrumental in enabling these improvements.

4. **Safeguard the utility from cyber threats to stay current with industry standards.**
   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.

5. **Develop an FTTP phase one project plan to bring back to the Board for consideration of approval.**
   Staff has recently received, and is in the process of reviewing, informational packages from potential vendors to assist with development and deployment of phase one of the FTTP Project. Staff will be working with the selected vendor to prepare a Project Authorization for the first phase of the project in which will be presented to the Board for consideration of approval.

6. **Continue to enhance and modify the utility’s recruitment and retention efforts to attract and retain a qualified, competent and professional workforce.**
   TCL&P will place emphasis on maintaining a competitive compensation and benefits package, while simultaneously continuing to look at what current and potential employees “value” from their employer. Additionally, training and professional development will be at the forefront to ensure that our workforce has the necessary skills to evolve with the ever-changing utility environment.

7. **Continue to engage employees on issues facing the utility through communications efforts that are effective.**
   TCL&P will continue to support its commitment to creating a culture of employee engagement by improving efforts towards effective communication and transparency of information. Opportunities such as the use of technology, along with more traditional approaches, will continue to be utilized to promote trust, collaboration and employee commitment towards their work and the overall goals of the utility.
8. Continue to promote employer and employee awareness of, commitment to, and involvement with safety through cooperative efforts and strong leadership. The utility will continue to promote ownership and accountability of safety for both the workforce and the community. Employee communication and participation in safety activities/programs such as serving on the Safety Committee, helping to identify and resolve safety issues and implementing safety programs will be at the forefront. Additionally, resources that support an environment of safety will be promoted both internally and within our community through ongoing training and external educational opportunities.
4.4 Customer Satisfaction

Although Customer Satisfaction is affected by all previous Strategic Issues identified in this Plan, there are many ways for the utility to encourage, track, and modify how services are provided that will assist in attaining a higher 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:

"Meet the evolving needs and expectations of the utility’s customers."

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

1. **Maintain and improve the level of services that exceed customer expectations.**
   The utility will continue to provide customers with the high level of service and responsiveness they expect. This will be done by reviewing and implementing new streamlined processes for areas such as bill payment, outage communication and account management. Success or improvement of these initiatives will be monitored using quarterly outage surveys and implementation of automated phone surveys following customer service interaction to ensure we remain at or above this threshold.

2. **Maintain rates that are competitive with other utilities in the area.**
   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 more than every five years to be used for a rate analysis.

3. **Enhance the utility’s communications efforts and community involvement.**
   The utility will continue to expand efforts on utilizing technology to effectively communicate with and educate customers and the public. However, technology will not be the only medium used. Additional opportunities for employees to volunteer in the community or represent TCL&P in schools and community events will be another outreach tool provided.

4. **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. As the key accounts program develops, more programs will be added and defined to assist the customers growth and show our appreciation.
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 semi-annual 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, enhancing operational excellence, 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.
To: Light & Power Board  
From: Daren Dixon, Operations Manager  
Date: August 8, 2018  
Subject: Consumers Energy 46kV Line Rebuild

On June 12, 2018 the Board authorized execution of an hourly rate construction agreement with CC Power, LLC to supplement internal resources as needed in order to complete projects of a shorter duration (up to 14 days of work).

During the spring and summer of 2018, Consumers Energy has been rebuilding a 46kV overhead line that has both TCL&P and Consumers Energy distribution facilities attached near along Front from Garfield to Milliken Dr., then along Milliken Dr. to Eastern Ave. As per the joint pole attachment agreement with Consumers Energy, TCL&P must relocate to the new poles. Due to the amount and configuration of the facilities, the rebuilding of the Consumers’ line requires a construction sequence wherein both entities’ facilities are impractical to relocate completely independently of each other. Because of this, discussions between Consumers Energy and TCL&P engineering were centered on utilizing the same contractor. Consumers Energy hired CC Power to rebuild their line through a competitive bidding process, and the required TCL&P work was given to CC Power under the hourly rate construction contract. As that portion of the project is nearly finished, it appears that it will exceed the 14-day threshold by 2.5 days.

Another area that TCL&P is affected by the Consumers Energy 46kV rebuild is in a backlot right of way east of Peninsula Dr. between Eastern and North Orchard Dr., which CC Power is scheduled to work in September. The contractor has indicated that the TCL&P work will take longer than the 14-crew days specified in the hourly rate construction contract. This is due to: a) they are not able to transfer TCL&P facilities due to Consumers Energy designing their lines to move to the other side of the right of way, and b) the work is in the narrow, wooded right of way.

Due to the impracticality of hiring a separate contractor for this non-discretionary work, staff recommends taking a separate hourly rate contract with CC Power, LLC for TCL&P’s required facility relocation, utilizing the same pricing from the competitively bid hourly rate contract. The work is estimated at the following:

<table>
<thead>
<tr>
<th>Contract Labor:</th>
<th>$83,700</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials:</td>
<td>$18,464</td>
</tr>
</tbody>
</table>
FOR THE LIGHT & POWER BOARD MEETING OF AUGUST 14, 2018

If after Board discussion you agree with staff’s recommendation, the following motion is recommended:

MOVED BY _______________, SECONDED BY _______________,

THAT THE BOARD AUTHORIZES THE CHAIRMAN AND SECRETARY
TO ENTER INTO AN HOURLY CONSTRUCTION AGREEMENT WITH CC
POWER, LLC. IN AN AMOUNT $83,700, MORE OR LESS, TO REBUILD
& RELOCATE OVERHEAD LINES IN THE RIGHT-OF-WAY EAST OF
PENINSULA DR. BETWEEN EASTERN AVE. AND NORTH ORCHARD
DR. SUBJECT TO APPROVAL AS TO SUBSTANCE BY THE
EXECUTIVE DIRECTOR AND AS TO FORM BY GENERAL COUNSEL.
To: TCL&P Board  
From: Tim Arends, Executive Director  
Date: August 8, 2018  
Subject: MPPA Update

Staff wanted to provide the board an update on two agenda items that were discussed and/or voted upon at the August 8, 2018 Michigan Public Power Agency (MPPA) board meeting.

The first agenda item was for TCL&P to be a full participant once again in the energy services by approving TCL&P market settlement to be at the MPPA node versus the Traverse City node.

The benefits of settling at the MPPA node versus the Traverse City node are as follows:
1. Provides a diversity hedge against uncertain and changing locational marginal pricing.
2. Increasing the aggregate load composition of the MPPA node which creates more flexibility among the MPPA members to conduct internal transactions and regulatory compliance filings.
3. It furthers the teamwork mentality among and between members of the Agency.
4. And there is a finance benefit as historically the MPPA node settles lower than the Traverse City node as it has been closer to generation.

The second agenda item was the approval of a purchase power agreement between MPPA and solar developers. This item will be presented at the next board meeting for approval. The following is high level information:

1. TCL&P share will be 22MW bringing the total renewable percentage to approximately 24%.
2. The blended price is $41.60 with a 2% escalator with a 25-year term.
3. Commercial operation date is expected to be 2020/2021.
In March of 2018 TCL&P was contacted by a homeowner on Cedar Run Rd. who lives adjacent to TCL&P’s 48-acre fly ash parcel. The property owner had noticed the presence of an invasive species plant known as Autumn Olive that had been taking a strong foothold on TCL&P’s parcel. The homeowner recommended that TCL&P work with the Grand Traverse Conservation District’s (GTCD) Invasive Species Network (ISN) Management Specialist to survey the property to see what steps could be taken to manage invasive plants on the property.

On April 30th, 2018 TCL&P staff met with the ISN Management Specialist to perform a walkthrough of the site. After the survey was completed it was identified that invasive Honeysuckle, Autumn Olive, Oriental Bittersweet and Spotted Knapweed were established on the site. After the on-site meeting TCL&P partnered with the GTCD-ISN to make a plan to eradicate the invasive species along with a planting plan that would help slow the invasive plants return to the property.

Attached you will find the area that the GTCD-ISN treated for invasive species along with a planting list of a variety of native species that were planted to help remediate the site. Through this collaboration the GTCD-ISN planted over 1300 native plants on TCL&P’s site.
ISN Restoration for Traverse City Light & Power Site

Project Overview:
The Northwest Michigan Invasive Species Network (ISN) has selected a variety of native trees, shrubs, grasses, and forbs to be planted at the former TCLP fly ash disposal site on Cedar Run Road in Traverse City, MI. Planted species will support native pollinators, numerous migratory songbirds, and serve as a valuable food source for wildlife. Restoration efforts will be coupled with invasive shrub removal, primarily Autumn Olive, later in the season. Proposed planting dates are May 24th to May 25th, 2018. Other planting dates may be added if necessary.

Planting Requirements:
Larger plantings will require a 60" tall galvanized steel fencing barrier, one large bag of mulch, and two t-posts to increase transplanting success. The distance between individual tree and shrub plantings will be based on the mature crown spacing. For example, two individual trees with a mature crown width of 20 feet should not be planted any closer than 20 feet from another. Plantings of the same species should be clustered in groups of 3-5 and be close enough to facilitate pollination.

For planting plugs protective barriers will not be required. Plugs should be soaked in water before plantings take place. As time and resources allow, some plugs and small potted shrubs may be mulched and/or watered in after being planted. See attached Planting a Tree Seedling with Shovel or Planting Bar for planting directions.

*See below for plant list, site photos, and a map of proposed planting sites*
Size of Restoration Area: ~20 acres

Plant List:

<table>
<thead>
<tr>
<th>Scientific Name</th>
<th>Common Name</th>
<th>Size</th>
<th>Qty.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amelanchier sp.</td>
<td>Service Berry</td>
<td>1 gal</td>
<td>30</td>
</tr>
<tr>
<td>Andropogon gerardii</td>
<td>Big Bluestem</td>
<td>plugs</td>
<td>380</td>
</tr>
<tr>
<td>Asarum canadense</td>
<td>Wild Ginger</td>
<td>pots</td>
<td>160</td>
</tr>
<tr>
<td>Ceanothus americanus</td>
<td>New Jersey Tea</td>
<td>1 gal</td>
<td>30</td>
</tr>
<tr>
<td>Cornus alternifolia</td>
<td>Alt. Leaf Dogwood</td>
<td>1 gal</td>
<td>10</td>
</tr>
<tr>
<td>Lupinus perennis</td>
<td>Lupine</td>
<td>pot</td>
<td>160</td>
</tr>
<tr>
<td>Physocarpus opulifolius</td>
<td>Ninebark</td>
<td>1 gal</td>
<td>10</td>
</tr>
<tr>
<td>Prunus pumila</td>
<td>Sand Cherry</td>
<td>1 gal</td>
<td>10</td>
</tr>
<tr>
<td>Tilia americana</td>
<td>Basswood</td>
<td>5 gal</td>
<td>5</td>
</tr>
<tr>
<td>Quercus alba</td>
<td>White Oak</td>
<td>5 gal</td>
<td>10</td>
</tr>
<tr>
<td>Quercus macrocarpa</td>
<td>Bur Oak</td>
<td>5 gal</td>
<td>10</td>
</tr>
<tr>
<td>Quercus velutina</td>
<td>Black Oak</td>
<td>5 gal</td>
<td>10</td>
</tr>
<tr>
<td>Sambus racemosa</td>
<td>Red-berried Elder</td>
<td>1 gal</td>
<td>10</td>
</tr>
<tr>
<td>Schizachyrium scoparium</td>
<td>Little Bluestem</td>
<td>plugs</td>
<td>418</td>
</tr>
<tr>
<td>Viburnum dentatum</td>
<td>Arrowwood Viburnum</td>
<td>1 gal</td>
<td>10</td>
</tr>
<tr>
<td>Viburnum lantago</td>
<td>Nannyberry</td>
<td>1 gal</td>
<td>10</td>
</tr>
</tbody>
</table>

Photo 1: West side of proposed planting areas looking to the east.
Photo 2: Just east of proposed planting area looking northwest.

Photo 3: Southeast corner of proposed planting areas looking west.
May 2018: West side of property on hill before treatment

August 2018: West side of property on hill after treatment
July 2018: West side of property on hill before treatment

August 2018: West side of property on hill after treatment
To: Light & Power Board
From: Tim Arends, Executive Director
Date: August 3, 2018
Subject: Potential Renewable Energy Project on TCL&P owned property on Cedar Run Road

Traverse City Light & Power (TCL&P) owns approximately 48 acres of property on Cedar Run Road often referred to as the “coal ash pit”. In the past, the purpose of the property was to be the disposal site for the coal ash when the Bayside Power Plant was in operation.

A brief history and status on the coal ash pit, regarding environmental concerns with the closure of the coal ash pit, the final termination notice was received from the State of Michigan Department of Environmental Quality (MDEQ) regarding its consent order on September 26, 2005. This notice stated TCL&P complied with the State of Michigan Department of Environmental Quality’s post closure requirements for water sampling and the analytical results from the sampling are below the Michigan Public Act 451, Part 201 Residential and Commercial drinking water criteria.

Besides improving the property as described in the previous memo, staff believes because of the size of this property, it provides an optimal opportunity for the board to designate a portion of it as a renewable energy site for a solar array generating unit. The property has Cherryland Electric Cooperative (Cherryland) distribution lines south of the property and Consumer’s Energy (Consumer’s) to the north of the property allowing for a solar array to easily interconnect to distribute its generation. (An aerial view of the property is included in the board packet and will be viewed at the board meeting.)

If the board is interested in moving forward with this proposal one of the first steps would be to perform an interconnection study to determine the size of the solar array allowed to be installed and interconnected to either Cherryland’s or Consumer’s distribution system.

This proposal is in its infant stages and not only will an interconnection study need to be performed, but many other details will have to be worked out including (not an all-inclusive list):
1. Inquire/research with MDEQ regarding any issues with the property being utilized as a renewable energy site.
2. Research the local township zoning ordinances to ensure a solar array is allowed and review any requirements of the ordinance that would impact this proposal.
3. Determine to issue a request for proposal to developers for construction/ownership of the solar array or internally construct/own the solar array.
4. Determine the capital to be used in financing the project. Including the possible utilization of USDA Funds for the financing of the solar array, research other financing alternatives or the utility internally finance the construction.
5. If developed by a third party the development of the purchase power agreement and lease agreement for property and how that would work with the interconnection occurring with a separate utility.
6. The impact on the utility’s customers rates.

Even though many details/issues have yet to be worked through, staff believes this proposal of transforming a portion of the Cedar Run property to a local renewable energy site will provide many benefits to the utility and the local community. These include economic development through generation of local jobs from the installation and maintenance of the solar array, reducing the amount of greenhouse emissions from fossil fuels, diversifying the utility’s energy supply, and provides the local community the ability to see and feel renewable energy.

Staff will be looking forward in receiving the board’s feedback on this proposal to see if staff time should be dedicated towards developing this proposal further.
Below is a summary recap of the capital plan for the fiscal year 2017-18. The capital plan provided for $5,626,591 in capital expenses for the 2017-18 fiscal year end. The actual capital expense for the 2017-18 fiscal year end is approximately $7,000,000.

This memorandum provides information only on line items or projects greater than $50,000.

**2017-18 CAPITAL IMPROVEMENTS PLAN PROJECTS**

**SUBSTATION**

**Barlow #1 and #2 Transformer Upgrades ($1,500,000)**
The Board approved the Barlow #1 and #2 Transformers Upgrades at the May 9, 2017 board meeting in the amount of $1,500,000. The transformers were installed at fiscal year-end and capital expenses incurred to date is $1,494,000. A project close-out report will be presented to the board this fall.

**DISTRIBUTION**

**Line Improvements, Extensions and New Services ($1,000,000)**
The amount incurred to date is approximately $1,326,000 exceeding the capital plan budget amount of $1,000,000 by approximately $326,000. This capital plan category represents completion of projects with internal labor, equipment and materials with amounts provided through the work order system. The overage is related to the utility continuing a program of reconstructing overhead facilities by city block to address voltage issues with overhead and underground lines. These projects represent $264,000 of the $1,326M. Along with this there was significant make ready work costing approximately $43,000 needed to be completed for a pole attachment entity with costs reimbursed to the utility.

**Critical and Large Customers Project #1 ($270,000)**
The Board approved the Critical and Large Customers Project #1 at the May 9, 2017 board meeting in the amount of $270,000. Construction commenced last fall and the project close out report was presented to the board at the May 8, 2018 board meeting showing total costs incurred for the project to be $284,093.

**High Pressure Sodium to LED System Replacements ($331,591)**
This project was moved to the 2018-19 fiscal year to provide more time to evaluate the private area lighting system replacement program. The utility did have internal costs with continuing upgrading the lighting system in the amount of $96,000. Included within these costs are customer requests that are recouped through the private area lighting tariff rate and car pole accidents involving street lights.
FOR THE LIGHT & POWER BOARD MEETING OF AUGUST 14, 2018

FACILITIES AND OTHER

**Hastings Service Center Facility Improvements - Data Center Upgrade ($150,000)**

The Board approved the purchases relating to the Data Center Upgrade project at the September 12, 2017 board meeting in the amount of $222,615. Total costs incurred to date are $222,816.

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

**Automated Metering Infrastructure ($1,900,000)**

The Board authorized the project authorization for AMI at the August 9, 2016 board meeting. The contract was awarded to Eaton at the May 9, 2017 board meeting. The project commenced this fiscal year and total costs incurred to date is $155,570.

**Cass & Lake Street Streetscapes ($350,000)**

This project did not occur in the current year. The project was approved by the Board at the July 10, 2018 meeting. The City hopes to start the project in fall of 2018.

**Park Street Streetscapes ($100,000)**

The Utility had minimal participation with this project.

**PROJECTS UPDATE NOT INCLUDED ON THE 2017-18 CAPITAL IMPROVEMENTS PLAN**

**BW-31 System Rehab**

This project was approved by the Board at the June 7, 2016 board meeting and the project close out report was reported at the June 10, 2018 meeting showing a total cost of $1,602,841 with the current year fiscal costs at $1,153,736.

**Cherry Capital Airport Runway Expansion**

This project was approved by the Board at the August 8, 2017 board meeting with an estimated total project cost of $729,591. The project is completed to date with total costs incurred as of June 30, 2018 of $662,464. Actual project costs came under estimated costs relating to not having to utilize the contingency allocated in the amount of $84,000. A project close-out report will be presented to board this fall.

**Cherryland Territory Exchange**

The Board approved the Cherryland Territory Exchange at the January 24, 2017 board meeting. The exchange was completed last summer/fall with a total cost of $222,486.

**Costco**

The Board approved purchase of construction agreement in the amount of $42,800 with 5 Star Directional Drilling Inc. for boring services at the May 9, 2017 board meeting and purchase of wire in the amount of $79,000 with Power Line Supply at the April 11, 2017 board meeting. Total costs incurred as of June 30, 2017 is $92,020 and as of June 30, 2018 $103,040 for a total project cost of $195,060.
Critical and Large Customer Project #2
This project was approved by the Board at the March 13, 2018 board meeting in the amount of $600,000 and was included in the 2018-19 Capital Improvement Plan. This project costs to date are $378,000 and is expected to come under budget. A project close-out report will be presented to the board this fall.

M-72 Solar Project
The board approved a reimbursement agreement with Heritage Sustainable Energy, LLC to allow reimbursement from Heritage Sustainable Energy, LLC for improvements to accommodate the interconnection at the distribution level for the 1MW solar array located on M-72. The project costs were $126,355 with $110,000 reimbursed to the utility. The difference relates to internal labor/equipment charged to the project, but not eligible for reimbursement.

Recloser Upgrades ($90,000):  
The purchase of recloser upgrades were approved by the Board at the April 28, 2015 in the amount of $46,710 and December 13, 2016 in the amount of $132,795. Installation continued through this year and expanded in scope to include in addition to Cass, Barlow and Parsons Substation. The capital expenses incurred for the fiscal year ending June 30, 2018 was $64,416 with bringing the project cost to date to $292,500.

Substation Exit Replacement ($560,000)
This project was approved by the Board at the February 13, 2018 board meeting in the amount of $560,000 and was included in the 2018-19 Capital Improvement Plan. This project costs to date are $222,131. A project close-out report will be presented to the board this fall/winter.