

A REGULAR MEETING
Of The
TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

TUESDAY, February 10, 2015

At

5:15 p.m.

In The

COMMISSION CHAMBERS
(2nd floor, Governmental Center)
400 Boardman Avenue

Traverse City Light and Power will provide necessary reasonable auxiliary aids and services, such as signers for the hearing impaired and audio tapes of printed materials being considered at the meeting, to individuals with disabilities at the meeting/hearing upon notice to Traverse City Light and Power. Individuals with disabilities requiring auxiliary aids or services should contact the Light and Power Department by writing or calling the following.

Stephanie Tvardek
Administrative Assistant
1131 Hastings Street
Traverse City, MI 49686
(231) 932-4543

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

Posting Date: 02-06-15
4:00 p.m.

AGENDA

Pledge of Allegiance

1. Roll Call

2. Consent Calendar

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

- a. Consideration of approving minutes of the Regular Meeting of January 27, 2015. (Approval recommended) (p. 3)
- b. Consideration of a confirming Purchase Order for transformers to serve the Park Place Hotel. (Approval recommended) (Wilson) (p. 6)
- c. Consideration of AT&T Contract. (Approval recommended) (Menhart) (p. 12)
- d. Consideration of Telecommunications Rate Increase and setting of a Public Hearing. (Approval recommended) (Myers-Beman) (p. 24)

3. Unfinished Business

None.

4. New Business

- a. Consideration of Metal Melting & Heat Treating Primary Service Rate and setting of a Public Hearing. (Arends/Myers-Beman) (p. 28)
- b. Introduction of Strategic Plan updated Business Goals. (Arends/All Staff) (p. 34)

5. Appointments

None.

6. Reports and Communications

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

7. Public Comment

/st



TRAVERSE CITY
LIGHT & POWER

To: Light & Power Board
From: Karla Myers-Beman, Controller and *WMB*
Jessica Wheaton, Manager of Energy Services & Key Accounts *JW*
Date: January 30, 2015
Subject: Public Hearing: Metal Melting & Heat Treating Primary Service Rate

All of Traverse City Light & Power's ("TCL&P") customers have been affected by rising costs of purchased power due to inflation and increased Federal and State regulations. The rising costs are also attributed to coal plants being retrofitted to meet the EPA Clean Air Act mandates, coal plants decommissioning with replacement generation unknown at this time, and the premium costs associated with renewable energy requirements mandated by the State. The customer's most significantly impacted by these regulations is the industrial customer class.

After the July 2014 rate increase, it came to TCL&P's attention that Consumers Energy has a Metal Melting Primary Pilot Rate ("MMPPR") within their rate schedules that a TCL&P customer would benefit from if the utility were to offer a similar rate. It would allow the customer to be more competitive in the market with similar entities within the State of Michigan. As one of TCL&P's goals being to provide the lowest rates in the area, staff began the process of gathering information and analyzing the difference between TCL&P's current industrial rate and the MMPPR.

After analyzing the data, staff shared the information with Utility Financial Solutions. Although all the necessary information on Consumers Energy's rate calculation was not available, specifically the critical peak event information, the analysis provided as close to an apples-to-apples comparison to TCL&P's Primary Rate as possible. The analysis showed that the Consumers Energy rate was more competitive than the rate TCL&P currently offers to a qualifying customer. Based on this information, Utility Financial Solutions created a proposed Metal Melting & Heat Treating Primary Service Rate, which is attached. This rate accelerates the cost of service subsidization between classes while moving to a more accurate way of billing based on the demand charge units (KW) rather than the energy charge (kWh). (This was discussed at the December 9, 2014 meeting with Mark Beauchamp's presentation.) The proposed rate would result in an 8.8% decrease for qualifying industrial customers currently on TCL&P's Primary Rate, or an annual savings of approximately \$180,000.

Currently, there is only one customer of TCL&P's that would qualify for this rate. Included in your packet is a letter from that customer in support of the creation of the new rate.

Staff was initially going to recommend the rate be retroactive to the uncapping of the PCR, October 1, 2013, when the initial impact of true purchase power costs was passed through to the utility's customers. However, General Counsel recommended to not make a rate retroactive that would impact the June 30, 2014 audited fiscal year; therefore, staff's recommendation is to make the rate

FOR THE LIGHT & POWER BOARD MEETING OF FEBRUARY 10, 2015

retroactive for the qualifying customer effective July 1, 2014 to coincide with the last rate increase and start of the new fiscal year. Prior to this rate being implemented a public hearing needs to take place. It is staff's recommendation that the Board set a public hearing for the proposed rate at its February 24, 2015 meeting.

If after Board discussion you are in agreement with staff's recommendation, the following motion would be appropriate:

**MOVED BY _____, SECONDED BY _____, THAT
THE LIGHT AND POWER BOARD AUTHORIZES THE SECRETARY TO SET A PUBLIC
HEARING FOR THE CREATION OF A METAL MELTING & HEAT TREATING
PRIMARY SERVICE RATE TO BE HELD AT THE FEBRUARY 24, 2015 REGULAR
MEETING; AND FURTHERMORE THAT A NOTICE OF THE PUBLIC HEARING BE
POSTED ON THE UTILITY'S WEBSITE AND PLACED IN THE TRAVERSE CITY
RECORD EAGLE.**

City of Traverse City
Light and Power Department
Effective:

METAL MELTING & HEAT TREATING PRIMARY SERVICE

(Rate "MM")

Availability:

Open to any customer who provides metal melting and heat treating services and is desiring primary voltage service for general use where the billing demand is 500 kW or more. This rate is not available for street lighting service or for resale purposes.

Nature of Service:

Alternating current, 60 hertz, single phase or three phase, the particular nature of the voltage in each case to be determined by the Department.

Where service is supplies at a nominal voltage of 15,000 volts or less, the customer shall furnish, install and maintain all necessary transforming, controlling and protective equipment.

Beginning July 1, 2014 any new customers must purchase and retain ownership of all necessary transforming, controlling and protective equipment, and, install and maintain this equipment at their expense. The customer is responsible for all costs and liability associated with the transforming, controlling and protective equipment.

Where the Department elects to measure the service at a nominal voltage of less than 2,400 volts, 3% will be added for billing purposes to the demand and energy measurements thus made.

Monthly Rate:

Customer Charge:	\$40.00 per meter per month, plus
Capacity Charge:	\$8.48 per kW of the highest on-peak billing demand for the past twelve months
Energy Charge:	6.4¢ per kWh for all kWh consumed during the on-peak period, November through May. 6.7¢ per kW for all kWh consumed during the on-peak period, June through October 5.0¢ per kWh for all kWh consumed during the off-peak period.

Power Service Cost Recovery:

This rate is subject to the Department's Power Service Cost Recovery.

Metal Melting & Heat Treating Primary Service (Rate"MM"), cont.

High Load Factor Credit:

Monthly credits will be given to high load factor customers as follows:

<u>Load Factor</u>	<u>% Credit on Total Billed Amount</u>
90% - 100%	5%
80% - 89%	4%
70% - 79%	3%

Minimum Charge:

The capacity charge included in the rate.

Due Date:

The due date of the customer's bill will be shown on the bill and will be at least twenty-one (21) days. Payments received after the due date are considered late, and a penalty charge of 2% shall be imposed as a one-time charge.

On-Peak Billing Demand:

The on-peak billing demand shall be the kilowatts (kW) supplied during the 30-minute period of maximum use during on-peak hours during the month, per schedule below.

Schedule of On-Peak, Off-Peak and Intermediate-Peak Hours

The following schedule shall apply Monday through Friday (except holidays designated by the Department). Weekends and holidays are off-peak.

On-Peak Hours:	10:00 a.m.	to	5:00 p.m.
Off-Peak Hours:	5:00 p.m.	to	10:00 a.m.

Holidays designated by the Department

The following are designated as holidays by the Department:

New Year's Day	Independence Day	Thanksgiving Day
Memorial Day	Labor Day	Christmas Day

Adjustment for Power Factor:

This rate requires a determination of the average power factor maintained by the customer during the billing period. Such average power factor will be determined through metering of lagging kilovar hours and kilowatt hours during the billing period. The calculated ratio of lagging kilovar hours to kilowatt hours will then be converted to the average power factor for the billing

Metal Melting & Heat Treating Primary Service (Rate"MM"), cont.

period by using the appropriate conversion factor. Whenever the average power factor during the billing period is above 0.899 or below 0.800, the capacity charge will be adjusted as follows:

- a. If the average power factor during the billing period is 0.900 or higher, the capacity charge will be reduced by 2%. This credit shall not in any case be used to reduce the prescribed minimum charge.
- b. If the average power factor during the billing period is less than 0.800, the capacity charge will be increased by the ratio that 0.800 bears to the customer's average power factor during the billing period.



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Traverse City Light & Power

1131 Hastings Street

Traverse City, MI 49686

Dear TCL & P Board members,

On July 1, 2014 we received a substantial rate increase for our electricity. On October 8, 2014 we were informed that the Power Service Cost Recovery rate will be increasing as well. The combination of these increases is having a significant negative impact on our financial stability and threatens our ability to compete within the metal treating markets.

At this time we would like to respectfully request that you consider a "Metal Melting Rate" for large industrial energy consumers such as ourselves. This type of "Pilot Rate" could substantially lower our energy costs and allow us to compete on a more even playing field within our industry.

Any consideration on your part would be appreciated as it would be instrumental in helping us secure and maintain our market share and the jobs that we provide for the community.

Sincerely,

Jim Black, Vice President

A handwritten signature in black ink that reads "Jim Black".

Century Sun Metal Treating