



TCL&P Rate Increase

As you may be aware, the Traverse City Light & Power (TCL&P) Board recently approved a rate increase for all TCL&P customers which went into effect July 1, 2014. ***This is the first rate increase TCL&P has had in eight years; the last rate increase occurred in 2006.***

All residential customers, including those on the senior rate, will experience a \$1.25 per month increase.

The rate increase comes after Utility Financial Solutions performed a cost of service study for TCL&P and identified that some customer classes are paying above while some are paying below the calculated cost to serve each customer class. Over the course of the next several years, it is TCL&P's goal to align the actual cost of service with each rate class as it is not desirous to have one rate class subsidizing the rates of another rate class.

It is a fact that the cost of power has been increasing for many years and will continue to increase. Because of this, customers may have also noticed an increase in their power service cost recovery (PCR) charge beginning in October 2013. The purpose of the PCR charge is to recover the variable costs of TCL&P's purchased power. It is calculated using a 12-month rolling average of the difference between the actual cost of power and the rate charged to customers. The TCL&P Board approved capping the PCR in September 2011 to help customers during the economic recovery by stabilizing this increasing charge. In doing so, TCL&P returned to customers over \$5 million over a two year period. To keep the utility in positive financial standing, the TCL&P Board uncapped the PCR in October 2013.

Date	Historic TCL&P PCR Charges
February 2008	\$0.00432/kWh
February 2010	\$0.00104/kWh
February 2012	\$0.00681/kWh (residential capped) – PCR would have been \$0.02021 if it was not capped
February 2014	\$0.02607/kWh

TCL&P understands that providing reliable electricity at a low cost is a high priority to all customers. That is why it is the utility's goal to keep costs as affordable as possible by continually evaluating future power purchase opportunities to best serve TCL&P's customers. TCL&P also offers a variety of energy efficiency programs and incentives to assist customers in using electricity more wisely. To learn more about TCL&P's energy efficiency programs see the Energy Smart section of TCL&P's website at tclp.org.

TCL&P Mission:

To provide the Public Power benefits of safety, lower rates, high reliability, local control, and exceptional customer service to the City, its residents, and all TCL&P customers.

2013 Annual Summary for the Energy Optimization and Renewable Energy Plan

In 2008 a state law was passed directing all Michigan utilities to help its customers reduce their energy usage. Public Act 295, also known as the “Clean, Renewable and Efficient Energy Act,” requires TCL&P to assist customers in improving their electric energy efficiency through Energy Optimization programs and increase the amount of renewable energy in the utility’s generation portfolio.

Energy Optimization

In 2013 TCL&P saved nearly 2.8 million kilowatt hours through the TC Light & Power Energy Smart Program, exceeding the state-mandated goal by 30% and saving enough electricity to power approximately 428 Traverse City area homes for an entire year.

The program offered many opportunities for customers to save energy and money. Those opportunities included:

- Free compact fluorescent light (CFL) bulbs
- Coupons for discounted LED holiday light sets
- Incentives for purchasing ENERGY STAR® appliances and recycling old, inefficient refrigerators and freezers
- Rebates for purchasing a share in TCL&P’s Community Solar Project – the first of its kind in Michigan
- Home energy assessments
- Income-qualified customers received home energy assessments and access to resources to make recommended energy saving upgrades
- Business customers were offered incentives for upgrading to equipment with greater energy efficiency, including lighting, motors, air systems, refrigeration, HVAC units and building management systems



For more information on the TC Light & Power Energy Smart Program, visit the Energy Smart section of TCL&P’s website at tclp.org.

New in 2014: Incentives for upgrading the lighting in your home to LED!



Renewable Energy

In addition to helping Michigan residents become more energy efficient, Public Act 295 also requires Michigan utilities to acquire 10% renewable energy by 2015. TCL&P’s successes to date in meeting the state-mandated renewable energy goal include:

- A long-term agreement to buy electricity that is generated from the Heritage Stoney Corners wind farm. In 2013, the energy produced from this agreement was equivalent to powering approximately 3,831 Traverse City area homes for an entire year.
- A long-term agreement to buy electricity that is generated from the Granger landfill gas facility. In 2013, the energy produced from this agreement was equivalent to powering approximately 1,160 Traverse City area homes for an entire year.
- Owning and operating the country’s largest utility grade wind turbine when it was installed in 1996. At 600 kilowatts, it is small in comparison to today’s larger units. Even though the unit was down for repairs or running at half power during a period of the year, it still produced enough energy to power 54 Traverse City area homes for an entire year.

For the 2013 reporting period, TCL&P generated or acquired 32,990,564 kilowatt hours of renewable energy. During this time frame, TCL&P’s renewable energy was 11.1% of its total electric sales and TCL&P anticipates this percentage to rise with the increase in landfill gas energy production.

Cost to Customers

TCL&P currently does not charge its customers for either the Energy Optimization or Renewable Energy Plan expenses as allowed by Public Act 295.

- The 2013 itemized cost to a residential customer for implementing the Energy Optimization program requirements was \$0.72 per month.
- The average electric residential customer is expected to save \$3.21 each month of the Energy Optimization program’s life.
- The 2013 itemized monthly surcharge for a TCL&P residential customer for the Renewable Energy Plan requirements under Public Act 295 was \$0.00.
- For the average Michigan residential customer, renewable energy is estimated to avoid \$3.90 per month of new coal-fired generation costs.
- The Michigan Public Service Commission’s annual report on renewable energy can be viewed at the following website: michigan.gov/mpsc.

Executive Director's Update: Hall Street to Gray Substation Transmission Line Upgrade

Now that the City Commission has authorized the TCL&P Board to approve its Six-Year Capital Improvements Plan - 2014 (Plan), the process for coming to a decision on the transmission line that currently runs along Wayne Street and through the Hickory Meadows/Hills area can commence. The Plan has this project scheduled for upgrade in 2015-2016. Because this transmission line is the oldest line on the system it is deemed to be the highest priority for the utility.

As indicated to the TCL&P Board, City Commission, and Planning Commission the process for making a decision about the future of the transmission line will be open and transparent, inviting input from all interested parties. Other viable options will be considered by the utility with feasibility assessments and preliminary design/cost estimates prepared. There is consensus that doing nothing is not a viable option as it would jeopardize the long-term reliability and safety of the electrical system.

The decision process of what to do with the transmission line will involve communication of relevant facts to all parties, public input, presentation opportunities, and historical information including prior Board actions, and the presentation of other viable options before the project is officially presented to the TCL&P Board for its consideration of approval.

Tentatively, the schedule in reaching a Board decision on this capital improvement item is as follows:

- **Month of July 2014** *TCL&P staff will meet with the City of Traverse City, Slabtown Neighborhood representatives, and Recreational Authority Board members to discuss the project and any viable alternative options.*
- **Months of August and September 2014** *Contract engineers will prepare preliminary engineering work including estimated costs for each option to upgrade the transmission line.*
- **October 14, 2014** *TCL&P Board presentation of all options/costs/project history will be presented and open for discussion, including public comments.*
- **October 21, 2014** *Possible TCL&P Board study session to answer remaining questions and/or continue with Board and public discussions.*
- **October 28, 2014** *TCL&P will have on its agenda a staff recommendation included in a project authorization request for its consideration of approval.*

Customer participation is encouraged throughout this public process as the utility continues to make decisions in the best interests of the city residents, community, and all TCL&P customers/owners. While I cannot predict the outcome of this project, I can promise that I will see this through to a Board decision so that we can move forward as a community.



Tim Arends
Executive Director



**TRAVERSE CITY
LIGHT & POWER**

Investing Our Energy In You

See the Home Energy Saver and L&P Energy Smart Program at: tclp.org

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