



COMMUNITY REPORT for Fiscal Year July 1, 2006 - June 30, 2007

Dear Light & Power Customer,

We are proud to present the Community Report of Traverse City Light and Power. It has been a year filled with challenges and rewards.

We have a great new management team along with seasoned veterans at Light and Power to guide us through the dynamics of change that our area is undergoing.

We continue to plan for the inevitable growth of our region and the increasing demand for affordable, dependable electricity. We face these challenges with great optimism.

People ask, "Why is the city in the power business in the first place?" This question was asked almost 100 years ago...and the answer remains the same: Light and Power is in the business of providing dependable, affordable electricity. Our rates are competitive and often lower, when compared to other electric utilities, and we are able to control our own destiny.

As a municipally owned utility, we are able to give back to the City of Traverse City a percentage of the revenue we generate. Since the year 2000 almost 11 million dollars has been contributed to the city. During our last fiscal year 2007, the amount was 1.47 million dollars. L&P also contributes to non-profits as a part of our Community Investment Fund. Some of those recipients are highlighted in this newsletter.

L&P is also a good steward of our environment. L&P was the first Michigan municipal electric utility to install a utility scale wind turbine (or windmill). At the time of construction in 1996, it was the largest operating wind turbine in the country!

In 2006, L&P teamed with Northwestern Michigan College to build the largest commercial solar power system in northern Michigan. This is a perfect example of our on-going commitment to renewable energy resources.

Last fall we conducted an energy-saving promotion with retailers in our service area, to discount the cost of Compact Fluorescent Bulbs, in an attempt to lower consumer consumption.

Recently, your Board signed a real estate option and wind easement contract, which may lead to the construction of more wind turbines in our area – the type of power generation that ratepayers told us they desired.

Local control, affordable rates, attention to customer service, and environmental stewardship, continue to be our commitment to you.

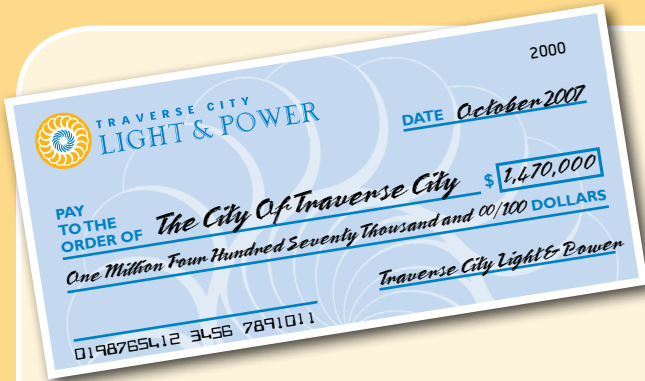
L&P is an extremely valuable asset that we must maintain for the well-being and economic strength of our community.

Sincerely,

Linda Johnson, Chairman
Traverse City Light & Power Board of Directors

**Many Advantages of
Public Power**

See the back page.



Check's in the Mail

Well actually it wasn't. However, a check was presented to the City of Traverse City in the amount of \$1.47 million in October of last year. The money represents 5% of L&P's gross revenues earned during the fiscal year of July 1, 2006 to June 30, 2007 and will be applied to the City's general fund.

According to former L&P Chairman John Welch, "This check will help decrease the tax burden on citizens by providing additional funding for the operating budgets for all city

departments, such as Police, Fire, Streets and Parks & Recreation. That's the advantage of public power!"

Giving Back

Over the years we have contributed over \$350,000 for educational, infrastructure, and environmental causes. This year we continued the tradition.

This year's recipients include:

- The continued support of TCAPS "Electric Circuits, Magnets and Motors" program in the amount of \$4,500.00.
- NMC's Dennon Museum Center's installation of the exhibition light paintings by Stephen Knapp, in the amount of \$3,000.00.
- The DDA is involved in replacing downtown lighting with brighter, more festive, more efficient LED's and L&P awarded them funds to help finance the project not to exceed \$45,000.00. DDA is expected to raise an additional \$10,000.00.
- Completed the second phase of funding the biomass boiler that will heat Grand Traverse Conservation District's new Boardman River Nature Center, which will have its Grand Opening on August 16th and 17th.



"Risen Blue", a light painting by Stephen Knapp.



Ed Rice, new Interim Executive Director of Light & Power

Meet Ed Rice... Semper Fi

On April 10th the Board of Directors for Traverse City Light & Power unanimously named Edward (Ed) Rice as Interim Executive Director of the municipal utility. Mr. Rice retired from Consumers Energy in 2002 as Manager of Electric Network Services in Jackson, Michigan, after 32 years of progressive responsibility with the investor-owned utility. He is a Registered Professional Engineer, a former Marine and earned his Bachelor of Science Degree in Electrical Engineering from Michigan State University.

"At Consumers Energy, Mr. Rice spent a great deal of time interacting with the public regarding power transmission systems," said John Welch, former Chairman of the L&P Board. "He is a proven leader and a good team builder. We're delighted he sought this position and he has indicated that he would be interested in pursuing the permanent Executive Director position when we start that process."

"We are very happy with our good fortune in finding Ed. There is no question we found the right man for the job...we wish him well"

-Linda Johnson Chair TCLP

Community Report



L&P, like other municipally-owned utilities, leads the way in exploring alternative energy sources.

It's "Blowin' in the Wind"

Traverse City Light and Power continues our promise to provide clean, affordable, competitive electricity to our customers.

In step with Governor Granholm's call for Michigan to be a leader in wind energy, the Traverse City Light & Power Board of Directors has signed a wind easement contract which may lead to the construction of wind turbines in Charlevoix County's Norwood Township, pending final zoning and permitting. The first step in the process is erecting a meteorological tower to measure if wind speeds are sufficient to justify the construction of one

or more wind turbines. Wind measurements will be collected before decisions can be finalized. Simultaneously, L&P plans call for a series of public meetings to inform and educate area citizens about wind power. L&P erected two similar meteorological towers in the past in the Traverse City area.

This project is in accordance with the wishes of our customers responding to a recent survey conducted by L&P. According to the survey, 87 percent of respondents indicated, in their opinion, that L&P should invest in renewable power generation resources such as wind and solar. 42 percent suggested investment in biomass facilities, such as those that burn renewable products like wood chips.

In The Dark...Cyber Speaking

Traverse City L&P, in cooperation with Traverse City Area Public Schools, began installing a ring of "dark" optical fiber around Traverse City in order to provide high speed Internet access to local government, health care and educational facilities. Future leasing of some of the fibers may be planned for private enterprise.

To Be Above or Not To Be...That is the Question

The Board of Directors for Traverse City Light & Power engaged a consulting firm to explore undergrounding high voltage (69KV) electrical power transmission lines.

"It was clear residents wanted to know if undergrounding transmission lines was a viable option instead of taller poles that were proposed to carry the lines," said John Welch, former Chairman of the L&P Board. "While L&P staff has experience undergrounding lower voltage lines, undergrounding these higher voltage transmission lines requires meeting other standards." We will keep you informed.



L&P seeks public input on transmission lines and other decisions.

Rising Cost of Energy... Take the Bulb by the Horns

Electric lighting industry sources tell us that CFLs use about 75 percent less energy than standard incandescent bulbs and last up to 10 times longer. This means replacing incandescent bulbs with CFLs will help lower customer electric bills, especially since lighting accounts for 20% of the average residential bill.

Switching to CFLs is also good for the environment. Since most electric power is still generated from coal burning power plants that release carbon dioxide into the air, using CFLs requires less electric power and results in reducing carbon dioxide emissions.

According to L&P Certified Energy Manager, Jim Cooper, if all of L&P's 11,000 customers replaced two 100-watt incandescent bulbs with equivalent 30-watt CFLs that deliver the same brightness, they would collectively save 3,366,000 kWhrs; reduce electric bills by \$269,280; prevent 3,366,000 pounds of coal from burning and keep 5,049,000 pounds of carbon dioxide from being emitted into the air each year!

Statements of Revenues, Expenses & Changes in Net Assets



TRAVERSE CITY
LIGHT & POWER

Business Type Activities	June 30, 2007	June 30, 2006
Operating Revenues		
Charges for Services	\$26,728,808	\$25,466,677
MISO income	1,654,950	368,368
Other	265,008	240,284
Total Operating Revenues	28,648,766	26,075,329
Operating Expenses		
Personnel	3,752,200	3,631,529
Contractual Services	667,037	686,716
Repairs & Maintenance	70,514	87,054
Office Supplies, Insurance & Other	297,479	292,220
Operating Supplies (Fuel & Power Costs)	18,566,813	18,443,152
Rentals	181,407	170,142
Utilities	91,733	91,912
City Fee	1,478,700	1,337,048
Depreciation & Amortization	1,539,177	1,519,785
Total Operating Expenses	26,645,060	26,259,558
Operating (Loss) Income	2,003,706	(184,229)
Non-Operating Revenues (expenses)		
Grant Revenue	236,714	185,996
Rental Income	26,396	23,152
Reimbursement	1,171,466	255,867
Sale of emission allowances	588,012	585,107
Interest Income	1,084,075	667,893
Change in Fair Market Value of Investments	(50,736)	(125,665)
Grant Expense	(234,355)	(213,029)
Interest Expense	—	(185)
Total Non-Operating Revenues	2,821,572	1,379,136
Income Before Special Items	4,825,278	1,194,907
Special Items		
Hydrodam impairment	(1,535,899)	—
Insurance settlement	(47,481)	—
Plant decommissioning	—	(190,392)
Total Special Items	(1,583,380)	(190,392)
Change in Net Assets	3,241,898	1,004,515
Net Assets: Beginning of Year - As Restated	55,516,779	54,512,264
Net Assets: End of Year	\$58,758,677	\$55,516,779

Note: Due to auditing and the administrative process taken to review and approve financial statements, these figures are for Fiscal Year Ending June 30, 2007.

Board of Directors

Linda Johnson, Chairman
 John F. Welch, Vice Chairman
 Jim Hoogesteger
 Joseph Zimmerman
 Mike Coco
 Commissioner Ralph Soffredine
 Commissioner Chris Bzdok
 City Manager Richard Lewis (No voting authority)

Executive Staff

Ed Rice, Executive Director
 Glen Dine, Staff Engineer
 Mark Rollenhagen, Operations Manager
 Jim Cooper, Key Accounts & Marketing Manager
 Rod Solak, Line Superintendent
 Doug Zufelt, Technical Support Manager

Many Advantages of Public Power

Besides providing dependable, affordable electricity at low rates, L&P provides our community:

- An annual revenue contribution to the city
- Quick response from crews located in the community
- Purchases from local establishments, including use of local financial institutions
- Local employment
- Local control over the electric transmission and distribution system aesthetics and design
- Commitment to conservation, safety and the environment
- Grants to local not-for-profit organizations

We've also provided in-kind or reduced cost services to the city and civic organizations, including the National Cherry Festival and the Film Festival.



TRAVERSE CITY
LIGHT & POWER

Investing Our Energy In You

www.tclp.org
 Main Office and 24-Hour Service:
 922-4940
 Billing/Other Questions:
 922-4431



© Copyright 2008
 Traverse City
 Light & Power.
 Printed in USA.