

**A REGULAR MEETING**

Of The

**TRAVERSE CITY LIGHT AND POWER BOARD**

Will Be Held On

**TUESDAY, January 14, 2014**

At

**5:15 p.m.**

In The

**COMMISSION CHAMBERS**  
(2<sup>nd</sup> 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: 1-10-14  
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 December 10, 2013. (Approval recommended) (p. 4)
- b. Consideration of approving Renewing the ESRI Agreement. (Approval Recommended) (Menhart) (p. 7)
- c. Consideration of a Resolution Requesting Eminent Domain of 743 Boyd Avenue. (Approval recommended) (Arends) (p. 17)
- d. Consideration of a Resolution Authorizing Execution of Deeds. (Approval recommended) (Arends) (p. 19)

#### **Items Removed from the Consent Calendar**

- a.

#### **3. Unfinished Business**

None.

#### **4. New Business**

- a. June 30, 2013 Audit Presentation. (Arends/Myers-Beman) (p. 22)

#### **5. Appointments**

None.

#### **6. Reports and Communications**

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

1. Strategic Planning Goals Presentation. (All Staff) (p. 66)

2. Energy Supply Presentation #3: Combustion Turbine Evaluation and Local Generation Discussion. (Arends/RTD Consulting) (p. 82)
3. Update on TCL&P assistance to Lansing Board of Water & Light. (Solak) (p. 91)
4. 2014-15 Budget Schedule. (Myers-Beman) (p. 93)
5. Highland Park Project closeout report to Board. (Myers-Beman) (p. 94)
6. Safety Metrics 2013 Annual Report. (Schroeder) (p. 97)

c. From Board.

**7. Public Comment**

/st

**TRAVERSE CITY  
LIGHT AND POWER BOARD**

Minutes of Regular Meeting  
Held at 5:15 p.m., Commission Chambers, Governmental Center  
Tuesday, December 10, 2013

**Board Members -**

Present: Jim Carruthers, Jeff Palisin, Patrick McGuire, Jan Geht, Bob Spence  
Absent: John Taylor, Barbara Budros

**Ex Officio Member -**

Present: Jered Ottenwess, City Manager

**Others:** Tim Arends, Karla Myers-Beman, Jessica Wheaton, Tom Olney, Scott Menhart

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

**Item 2 on the Agenda being Consent Calendar**

None.

**Item 3 on the Agenda being Unfinished Business**

None.

**Item 4 on the Agenda being New Business**

**4(a).** Consideration of approving minutes of the Regular Meeting of November 12, 2013.

Moved by Carruthers, seconded by Palisin; that the Board approves the minutes of the regular meeting of November 12, 2013.

CARRIED unanimously (Taylor, Budros absent).

**4(b).** Consideration of privileged & confidential client/attorney communications.

Moved by Carruthers and seconded by Geht that the Light and Power Board enters into Closed Session to consider privileged and confidential attorney/client communications immediately following public comment.

Roll Call:

Yes: Carruthers, Palisin, McGuire, Geht, Spence

No: None

CARRIED unanimously (Taylor, Budros absent).

**4(c).** Consideration of Staff Recommendation to Retire the M-72 Wind Turbine.



The following individual addressed the Board:  
Tim Arends, Executive Director

Moved by Spence, seconded by Geht, that the Board authorizes the Executive Director to retire the M-72 windmill turbine and begin the decommissioning process.

Public Comment:

- Jack Kelly, 10100 East Avondale Lane, Non-Ratepayer

CARRIED unanimously (Taylor, Budros absent).

**4(d).** Discovery Center Use of Coal Dock Presentation.

The following individuals addressed the Board:  
Tim Arends, Executive Director  
Mike Wills, Discovery Center Great Lakes  
John Noonan, Great Lakes Children's Museum

Board Member Geht recused himself from the discussion surrounding the Discovery Center's proposal due to a conflict of interest.

Moved by Carruthers, seconded by Palisin, that the Board directs the Executive Director to work with the City Manager in convening a study session with the City Commission to discuss the future of the coal dock, its ownership, and specifically the Discovery Center's proposal.

Public Comment:

- Marsha Smith, 529 Washington Street, Ratepayer
- Jay Brusak, 1994 Carroll Road, Non-Ratepayer
- Michael Smith, 524 Bay East Drive, Non-Ratepayer
- Cindy Brusak, 1994 Carroll Road, Non-Ratepayer
- George Crew, 8336 S. Lakeview Road, Non-Ratepayer
- Jack Kelly, 10100 East Avondale Lane, Non-Ratepayer
- Jan Warren, 606 W. 10<sup>th</sup> Street, Ratepayer
- Dave McGinnis, 10671 Center Road, Non-Ratepayer
- Christine Crissman, Elk Rapids, Non-Ratepayer
- Rick Buckhalter, 932 Kelley Street, Ratepayer
- John Tanner, Kalkaska County, Non-Ratepayer

CARRIED (Taylor, Budros absent, Geht abstained from discussing or voting on this matter).

**Item 5 on the Agenda being Appointments**

None.

**Item 6 on the Agenda being Reports and Communications**

A. From Legal Counsel.

1. W. Peter Doren discussed an eminent domain issue at 743 Boyd Avenue.

## B. From Staff.

1. Tim Arends presented the Strategic Planning Focus Group results.
2. Bob Dyer, from RTD Consulting, made an energy supply presentation.
3. Karla Myers-Beman presented the June 30, 2013 Year-End Financial Report.

## C. From Board.

None.

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

-Rick Buckhalter, 932 Kelley Street, Ratepayer

There being no objection, Chairman McGuire declared the meeting adjourned at 8:27 p.m. and entered into Closed Session.


/jw

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Tim Arends, Secretary  
LIGHT AND POWER BOARD



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**To:** Light & Power Board  
**From:** Scott Menhart, Manager of Telecom & Technology   
**Date:** January 14, 2014  
**Subject:** Asset Inventory and Management Software License Agreements

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TCL&P and the City of Traverse City utilize ESRI software for all Geographic Information Systems (GIS) management, map production, work order tracking, and is also the substructure to TCL&P's Outage Management System. The GIS databases contain asset inventories for the electric transmission system, electric distribution system, and fiber optic network. The software license is set to expire in January of 2014.

The cost for ESRI Small Municipal and County ELA is \$25,000 per year. The City and TCL&P will evaluate license usage annually to determine the City's share in expense. As of now, the City is currently providing TCL&P \$7,000 towards the annual cost of the ELA.

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

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

**MOVED BY \_\_\_\_\_, SECONDED BY \_\_\_\_\_,**  
**THAT THE BOARD AUTHORIZES THE CHAIRMAN AND SECRETARY TO EXECUTE**  
**A THREE YEAR AGREEMENT WITH ESRI IN THE AMOUNT OF \$75,000 FOR AN**  
**ENTERPRISE LICENSE, SUBJECT TO APPROVAL AS TO SUBSTANCE BY THE**  
**EXECUTIVE DIRECTOR, AND APPROVAL AS TO FORM BY GENERAL COUNSEL.**



December 12, 2013

Mr. Scott Menhart  
Traverse City Light & Power  
1131 Hastings St  
Traverse City, MI 49684

Dear Scott,

The Esri Small Municipal and County Government Enterprise License Agreement (ELA) is a three-year agreement that will grant your organization access to Esri® term license software on an unlimited basis including maintenance on all software offered through the ELA for the term of the agreement. The ELA will be effective on the date executed and will require a firm, three-year commitment.

Based on Esri's work with several organizations similar to yours, we know there is significant potential to apply geographic information system (GIS) technology in many operational and technical areas within your organization. For this reason, we believe that your organization will greatly benefit from an enterprise license agreement.

An ELA will provide your organization with numerous benefits including:

- A lower cost per unit for licensed software
- Substantially reduced administrative and procurement expenses
- Maintenance on all Esri software deployed under this agreement
- Complete flexibility to deploy software products when and where needed

The following business terms and conditions will apply:

- All current departments, employees, and in-house contractors of the organization will be eligible to use the software and services included in the ELA.
- If your organization wishes to acquire and/or maintain any Esri software during the term of the agreement that is not included in the ELA, it may do so separately at the Esri pricing that is generally available for your organization for software and maintenance.
- The organization will establish a single point of contact for orders and deliveries and will be responsible for redistribution to eligible users.
- The organization will establish a Tier 1 support center to field calls from internal users of Esri software. The organization may designate individuals as specified in the ELA who may directly contact Esri for Tier 2 technical support.
- The organization will provide an annual report of installed Esri software to Esri.

- Esri software and updates that the organization is licensed to use will be automatically available for downloading.
- The organization will act as an Esri reference site and will permit Esri to publicize its use of Esri software and services.
- The fee and benefits offered in this ELA proposal are contingent upon your acceptance of Esri's Small Municipal and County Government ELA terms and conditions.
- Licenses are valid for the term of the ELA.

This program offer is valid for 90 days. To complete the agreement within this time frame, please contact me within the next seven days to work through any questions or concerns you may have. To expedite your acceptance of this ELA offer:

1. Sign and return the signature page of the ELA with a Purchase Order or issue a Purchase Order that references this ELA Quotation and includes the following statement on the face of the Purchase Order: **"THIS PURCHASE ORDER IS GOVERNED BY THE TERMS AND CONDITIONS OF THE ESRI SMALL MUNICIPAL AND COUNTY GOVERNMENT ELA, AND ADDITIONAL TERMS AND CONDITIONS IN THIS PURCHASE ORDER WILL NOT APPLY."** Have it signed by an authorized representative of the organization.
2. On the first page of the ELA, identify the central point of contact/agreement administrator. The agreement administrator is the party that will be the contact for management of the software, administration issues, and general operations. Information should include name, title (if applicable), address, phone number, and e-mail address.
3. In the purchase order, identify the "Ship to" and "Bill to" information for your organization.
4. Send the purchase order and agreement to the address, email or fax noted below:

Esri  
 Attn: Customer Service SG-ELA  
 380 New York Street  
 Redlands, CA 92373-8100

e-mail: [service@esri.com](mailto:service@esri.com)  
 fax documents to: 909-307-3083

I appreciate the opportunity to present you with this proposal, and I believe it will bring great benefits to your organization.

Thank you very much for your consideration.

Best Regards,

Chad Anderson



### Quotation # 20435351

Date: October 2, 2013

Customer # 236945 Contract #

Traverse City Light & Power  
1131 Hastings St  
Traverse City, MI 49684

ATTENTION: Scott Menhart  
PHONE: (231) 932-4575  
FAX: (231) 922-2092

ENVIRONMENTAL SYSTEMS RESEARCH INSTITUTE, INC.  
880 Blue Gentian Rd, Ste 200  
St. Paul, MN 55121-1596  
Phone: (651) 454-0600 Fax: (651) 454-0705  
DUNS Number: 06-313-4175 CAGE Code: 0AMS3

*To expedite your order, please attach a copy of this quotation to your purchase order.*  
*Quote is valid from: 10/02/2013 To: 12/31/2013*

Material	Qty	Description	Unit Price	Total
110035	1	Populations of 0 to 25,000 Small Government Term Enterprise License Agreement- Year 1	25,000.00	25,000.00
110035	1	Populations of 0 to 25,000 Small Government Term Enterprise License Agreement- Year 2	25,000.00	25,000.00
110035	1	Populations of 0 to 25,000 Small Government Term Enterprise License Agreement- Year 3	25,000.00	25,000.00
			Item Total:	75,000.00
			Subtotal:	75,000.00
			Sales Tax:	0.00
			Estimated Shipping & Handling(2 Day Delivery) :	0.00
			Contract Pricing Adjust:	0.00
			<b>Total:</b>	<b>\$75,000.00</b>

\* Please indicate on your purchase order if this purchase is funded through the American Recovery and Reinvestment Act, and whether Esri is a Prime Recipient, Sub-recipient, or Vendor for reporting purposes. Esri may charge a fee to cover expenses related to any customer requirement to use a specific vendor management, procurement, or invoice program.

For questions contact: Chad Anderson

Email: [canderson@esri.com](mailto:canderson@esri.com)

Phone: (651) 454-0600 x8319

Acceptance of this quotation is limited to the Esri License Agreement and the Quotation Terms and Conditions  
This Quotation is made in confidence for your review. It may not be disclosed to third parties, except as required by law.

**If sending remittance, please address to: Esri, File No. 54630, Los Angeles, Ca 90074-4630**



**SMALL  
ENTERPRISE LICENSE AGREEMENT  
COUNTY AND MUNICIPALITY**

**Authorized Distributor/Esri Use**

**Only:**

Cust. Name \_\_\_\_\_

Cust. # \_\_\_\_\_

PO # \_\_\_\_\_

Esri Agreement # \_\_\_\_\_

Esri, 380 New York St., Redlands, CA 92373-8100 USA • TEL 909-793-2853 • FAX 909-793-5953

This Small Enterprise License Agreement ("ELA") is by and between the organization listed on the signature page ("Licensee"); **Environmental Systems Research Institute, Inc. ("Esri")**; and, if Licensee is located outside the United States of America (US), the Authorized Distributor listed on the signature page ("**Authorized Distributor**"). Authorized Distributor is authorized by Esri to provide access to Online Services and provide ELA Maintenance for Enterprise Products and other benefits, as described herein, to Licensee located outside the US.

This ELA sets forth the terms for Licensee's use of Enterprise Products and incorporates by reference (i) the ELA Quotation and (ii) the License Agreement. Should there be any conflict between the terms and conditions of the documents that comprise this ELA, the order of precedence for the documents shall be as follows: (i) Small Enterprise License Agreement, (ii) the License Agreement, and (iii) the ELA Quotation. The modifications and additional rights granted in this ELA apply only to the Enterprise Products listed in Table A.

**Table A  
List of Enterprise Products**

**Unlimited Quantities**

**Desktop Software and Extensions**

ArcGIS for Desktop Advanced  
ArcGIS for Desktop Standard  
ArcGIS for Desktop Basic  
ArcGIS for Desktop Extensions: ArcGIS 3D Analyst, ArcGIS Spatial Analyst, ArcGIS Geostatistical Analyst, ArcGIS Publisher, ArcGIS Network Analyst, ArcGIS Schematics, ArcGIS Workflow Manager, ArcGIS Data Reviewer

**Server Software and Extensions**

ArcGIS for Server Workgroup and Enterprise (Advanced, Standard, and Basic)  
ArcGIS for Server Extensions: ArcGIS 3D Analyst, ArcGIS Spatial Analyst, ArcGIS Geostatistical Analyst, ArcGIS Network Analyst, ArcGIS Schematics, ArcGIS Workflow Manager, ArcGIS Image

**Developer Tools**

ArcGIS Engine  
ArcGIS Engine Extensions: ArcGIS 3D Analyst, ArcGIS Spatial Analyst, ArcGIS Geodatabase Update, ArcGIS Network Analyst, ArcGIS Schematics  
ArcGIS Runtime Standard  
ArcGIS Runtime Standard Extensions: ArcGIS 3D Analyst, ArcGIS Spatial Analyst, ArcGIS Network Analyst

**Limited Quantities**

One (1) Annual Subscription to Esri Developer Network (EDN) Standard\*  
One (1) Esri CityEngine Advanced Single Use License  
One (1) Esri CityEngine Advanced Concurrent Use License  
One (1) ArcGIS Online Subscription\*

**Other Benefits**

One (1) ArcGIS Online Subscription with specified named users and credits as determined in the program description	<b>Level 2</b>
Number of Esri International User Conference Registrations provided annually	<b>2</b>
Number of Tier 1 Help Desk Individuals authorized to call Esri	<b>2</b>
Maximum number of sets of backup media, if requested**	<b>2</b>
Virtual Campus Annual User License allowance	<b>5,000</b>
Five percent (5%) discount on all individual commercially available instructor-led training classes at Esri facilities purchased outside this Agreement (Discount does not apply to Small Enterprise Training Package.)	

\*ELA Maintenance is not provided for these items.

\*\*Additional sets of backup media may be purchased for a fee.

Licensee may accept this ELA by signing and returning it with an Ordering Document that matches the ELA Quotation and references this ELA. **ADDITIONAL OR CONFLICTING TERMS IN LICENSEE'S ORDERING DOCUMENT WILL NOT APPLY, AND THE TERMS OF THIS ELA WILL GOVERN.** Unless otherwise mutually agreed to, this ELA is effective as of the date of the last signature on the signature page ("Effective Date"), or if no date is provided with the signature, the date of Esri's receipt of Licensee's Ordering Document incorporating this ELA by reference.

This ELA supersedes any previous agreements, proposals, presentations, understandings, and arrangements between the parties relating to the licensing of the Enterprise Products. Except as provided in Article 4—Enterprise Product Updates, any modifications or amendments to this ELA must be in writing and signed by an authorized representative of each party.

This ELA may be executed in duplicate by the parties. An executed separate signature page transmitted through electronic means, such as fax or e-mail, is valid and binding even if an original paper document bearing each party's original signature is not delivered.

Accepted and Agreed:

\_\_\_\_\_  
(Licensee)

**ENVIRONMENTAL SYSTEMS  
RESEARCH INSTITUTE, INC.**  
(Esri)

By: \_\_\_\_\_  
Authorized Signature

By: \_\_\_\_\_  
Authorized Signature

Printed Name: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**LICENSEE CONTACT INFORMATION**

Contact: \_\_\_\_\_

Telephone: \_\_\_\_\_

Address: \_\_\_\_\_

Fax: \_\_\_\_\_

City, State, Postal Code: \_\_\_\_\_

E-mail: \_\_\_\_\_

Country: \_\_\_\_\_

ELA Quotation Number (if applicable): \_\_\_\_\_



## 1.0—ADDITIONAL DEFINITIONS

In addition to the definitions provided in the License Agreement, the following definitions apply to this ELA:

**"Deploy"** means to redistribute and install the Enterprise Products and related Authorization Codes within Licensee's organization(s).

**"ELA Maintenance"** means Tier 2 Support, updates, and patches provided by Esri or its Authorized Distributor to Licensee for the Enterprise Products.

**"ELA Quotation"** means the Small Enterprise License Agreement offer letter and quotation form provided separately by Esri or its Authorized Distributor to Licensee.

**"ELA Fee"** means the fee set forth in the ELA Quotation.

**"Enterprise Products"** means the Products identified in Table A—List of Enterprise Products and any updates to such list provided in writing by Esri or its Authorized Distributor.

**"Incident"** means a failure of the Software to operate according to the Documentation where such failure substantially impacts operational or functional performance.

**"License Agreement"** means the applicable license agreement incorporated by this reference that is (i) found at <http://www.esri.com/legal/software-license>; comprised of the General License Terms and Conditions (E204) and Exhibit 1, Scope of Use (E300); and available in the installation process requiring acceptance by electronic acknowledgment or (ii) a signed license agreement between Esri, Distributor (if applicable), and Licensee that supersedes such electronically acknowledged license agreement.

**"Technical Support"** means a process to attempt to resolve reported Incidents through error correction; patches; hot fixes; workarounds; replacement deliveries; or any other type of Enterprise Product corrections or modifications.

**"Tier 1 Help Desk"** means Licensee's point of contact from which all Tier 1 Support will be given to Licensee.

**"Tier 1 Support"** means the Technical Support provided by the Tier 1 Help Desk as the primary contact to Licensee in attempted resolution of reported Incidents.

**"Tier 2 Support"** means the Technical Support provided by Esri or its Authorized Distributor to the Tier 1 Help Desk when the Incident cannot be resolved through Tier 1 Support. Licensees located in the US will receive Tier 2 Support from Esri. Licensees outside the US will receive Tier 2 Support from an Authorized Distributor located in the Licensee's region.

## 2.0—ADDITIONAL GRANT OF LICENSE

**2.1 Grant of License.** Subject to the terms and conditions of this ELA, Esri grants to Licensee a personal, nonexclusive, nontransferable Term License solely to use, copy, and Deploy quantities of the Enterprise Products listed in Table A for the term provided in Section 3.1—Term (i) for which the applicable license fees have been paid and (ii) in accordance with the License Agreement.

**2.2 Consultant Access.** Esri grants Licensee the right to permit Licensee's consultants or contractors to use the Enterprise Products exclusively for Licensee's benefit. Licensee shall be solely responsible for compliance by consultants and contractors with this ELA and shall ensure that the consultant or contractor discontinues Product use upon completion of work for Licensee. Access to or use of Products by consultants or contractors not exclusively for Licensee's benefit is prohibited. Licensee may not permit its consultants or contractors to install Software or Data on consultant, contractor, or third-party computers or remove Software or Data from Customer locations, except for the purpose of hosting the Software or Data on Contractor Servers for the benefit of Licensee.

## 3.0—TERM, TERMINATION, AND EXPIRATION

**3.1 Term.** The term of this ELA and all licenses hereunder shall commence on the Effective Date and continue for three (3) years, unless this ELA is terminated earlier as provided herein. Licensee is only authorized to use Deployed Enterprise Products during the term of this ELA. No indefinite term or perpetual license grants are provided with this ELA.

**3.2 No Use upon Expiration or Termination.** All Deployed Enterprise Product licenses and all ELA Maintenance, Virtual Campus access, and User Conference Registrations terminate on expiration or termination of this ELA.

**3.3 Termination for Lack of Funds.** For government or government-owned entities only, either party may terminate this ELA for Lack of Funds. Lack of Funds is the inability of Licensee to secure appropriation of funds through the legislative or governing body's approval process for annual payments due.

#### **4.0—ENTERPRISE PRODUCT UPDATES**

**4.1 Future Updates.** Esri and its Authorized Distributor reserve the right to update the list of Enterprise Products in Table A by providing written notice to Licensee. Licensee may continue to use all Enterprise Products that have been Deployed, but support and upgrades for deleted items may not be available. As new Enterprise Products are incorporated into the standard program, they will be offered to Licensee via written notice for incorporation into the Enterprise Products schedule at no additional charge. Licensee's use of new or updated Enterprise Products requires Licensee to adhere to applicable additional or revised terms and conditions of the License Agreement.

**4.2 Product Life Cycle.** During the term of this ELA, some Enterprise Products may be retired or may no longer be available for unlimited quantity Deployment. ELA Maintenance shall be subject to the individual Product Life Cycle Support Status and Product Life Cycle Support Policy, which can be found at <http://resources.arcgis.com/content/product-life-cycles>. Updates for Enterprise Products in the mature and retired phases may not be available; however, Licensee may continue to use Deployed Enterprise Products for the term of this ELA, but Licensee will not be able to Deploy retired Enterprise Products.

#### **5.0—ELA MAINTENANCE**

ELA Maintenance is included with the ELA Fee. ELA Maintenance includes standard maintenance benefits specified in either (i) the most current applicable Esri US Software Maintenance Program document (found at <http://www.esri.com/legal>) for US-based Licensees or (ii) the applicable Authorized Distributor software maintenance policy as modified by this Article 5.0—ELA Maintenance. At Esri's sole discretion, Esri may make patches, hot fixes, or updates available for download. No Software other than the defined Enterprise Products will receive maintenance under this ELA. Licensee may acquire maintenance for other Software (non-Enterprise Products) outside this ELA.

##### **a. Tier 1 Support Provided by Licensee**

1. Licensee shall provide Tier 1 Support through the Tier 1 Help Desk to all Licensee's authorized users.
2. The Tier 1 Help Desk will use analysts fully trained in the Software they are supporting.
3. At a minimum, Tier 1 Support will include those activities that assist the user in resolving how-to and operational questions as well as questions on installation and troubleshooting procedures.
4. Tier 1 Support analysts will be the initial points of contact for all questions and Incidents. Tier 1 Support analysts shall obtain a full description of each reported Incident and the system configuration from the user. This may include obtaining any customizations, code samples, or data involved in the Incident. The analyst may also use any other information and databases that may be developed to satisfactorily resolve Incidents.
5. If the Tier 1 Help Desk cannot resolve the Incident, an authorized Tier 1 Help Desk individual may contact Tier 2 Support. The Tier 1 Help Desk shall provide support in such a way as to minimize repeat calls and make solutions to problems available to Licensee.
6. Tier 1 Help Desk individuals identified by Licensee are the only individuals authorized to contact Tier 2 Support. Licensee may revise named individuals by written notice.

##### **b. Tier 2 Support Provided by Esri or Its Authorized Distributor**

1. Tier 2 Support shall log the calls received from Tier 1 Help Desk individuals.
2. Tier 2 Support shall review all information collected by and received from Tier 1 Help Desk individuals including preliminary documented troubleshooting provided by Tier 1 Help Desk when Tier 2 Support is required.
3. Tier 2 Support may request that Tier 1 Help Desk individuals provide verification of information, additional information, or answers to additional questions to supplement any preliminary information gathering or troubleshooting performed by Tier 1 Help Desk.

4. Tier 2 Support shall attempt to resolve the Incidents submitted by Tier 1 Help Desk by assisting Tier 1 Help Desk individuals.
5. When the Incident is resolved, Tier 2 Support shall communicate the information to Tier 1 Help Desk individuals, and Tier 1 Help Desk shall disseminate the resolution to the user.

## 6.0—ENDORSEMENT AND PUBLICITY

This ELA shall not be construed or interpreted as an exclusive dealings agreement or Licensee's endorsement of Esri or its Authorized Distributor. Licensee agrees that Esri and its Authorized Distributor may publicize the existence of this ELA upon execution.

## 7.0—ADMINISTRATIVE REQUIREMENTS

**7.1 OEM Licenses.** Under Esri's OEM or Solution OEM programs, OEM partners are authorized to embed or bundle portions of Esri Products and Services with their application or service. OEM partners' business model, licensing terms and conditions, and pricing are independent of this ELA. Licensee shall not seek any discount from the OEM partner or Esri based on the availability of Enterprise Products under this ELA. Licensee shall not decouple Esri Products or Services from the OEM partners' application or service.

**7.2 Annual Report of Deployments.** At each anniversary date and ninety (90) calendar days prior to the expiration date of this ELA, Licensee shall provide a written report detailing all Deployments to either (a) Esri if Licensee is located in the US or (b) Authorized Distributor if Licensee is located outside the US. The report will be subject to audit.

**7.3 Renewal.** Any follow-on ELA will be offered in accordance with then-current ELA pricing and license terms and conditions.

## 8.0—MERGERS, ACQUISITIONS, OR DIVESTITURES

Licensee shall notify Esri and, if applicable, its Authorized Distributor in writing in the event of (i) a consolidation, merger, or reorganization of Licensee with or into another corporation or entity; (ii) Licensee's acquisition of another entity; or (iii) a transfer or sale of all or part of Licensee's organization (hereinafter

subsections i, ii, and iii collectively referred to as "Ownership Change"). There will be no decrease in the ELA Fee as a result of any Ownership Change.

**8.1** If an Ownership Change increases the cumulative meter or customer count beyond the maximum level for this existing ELA, Esri and, if applicable, its Authorized Distributor reserve the right to increase the ELA Fee to the next higher ELA Fee level that applies to the new cumulative meter or customer count. In the event the Ownership Change increases the cumulative meter or customer count beyond the limits of this ELA, Esri and, if applicable, its Authorized Distributor have the option to terminate this ELA and the parties will negotiate a different agreement.

**8.2** If an Ownership Change results in transfer or sale of a portion of Licensee's organization, that portion of Licensee's organization shall uninstall, remove, and destroy or transfer the Enterprise Products to Licensee.

**8.3** This ELA may not be assigned to a successor entity as a result of an Ownership Change unless approved by Esri and, if applicable, its Authorized Distributor in writing in advance. If the assignment to the new entity is not approved, Licensee shall require any successor entity to uninstall, remove, and destroy the Enterprise Products, and this ELA will terminate upon such Ownership Change.

## 9.0—TRAINING

**9.1 Training Description.** Esri offers instructor-led training related to the use of its proprietary GIS software. Esri will provide to Licensee a fixed number of training days to use for Instructor-Led Training, as defined in this Small Enterprise Training Package, if purchased. Instructor-Led Training events occur at an Esri Learning Center or via the web in a cloud environment. The Esri software training course(s) to be conducted, location, schedule dates, and registration requirements are set forth in the *Esri Training* catalog located on Esri's Training website (<http://training.esri.com>). All courses are conducted in substantial conformity with course descriptions outlined on the Esri Training website. Esri reserves the right to modify course content when necessary due to software technical capabilities or limitations.


## 9.2 Unique Terms for the Small Enterprise Training Package

- a. To order training, Licensee must include training in the Ordering Document for the ELA or provide an Ordering Document as required and specified within the ELA that matches the Esri quotation.
- b. Where Licensee submits an additional Ordering Document to purchase training days for additional year(s), any unused training days will automatically roll over.
- c. An Ordering Document is required annually for each three (3)-year term. Failure to submit an annual Ordering Document will result in the forfeit of unused training days.
- d. Licensee must assign an individual within its organization to the role of Training Administrator to serve as liaison between Licensee's organization and Esri as well as internally manage and authorize allocated training days.
- e. The training days are available for a period of twelve (12) months, commencing on the Effective Date, and ending when all training days are consumed, whichever is sooner.
- f. Esri will invoice for outstanding training expenses where applicable.
- g. Training days are not transferable and not refundable for any other Esri Products or services.



**TRAVERSE CITY  
LIGHT & POWER**

---

**To:** Light & Power Board  
**From:** Tim Arends, Executive Director   
**Date:** December 23, 2013  
**Subject:** Eminent Domain Resolution – 743 Boyd Avenue

---

At the December 10, 2013 TCL&P Board Meeting Mr. Doren discussed several options to clear the clouded title on the 6' northerly section at 743 Boyd Avenue, which was recently transferred to TCL&P from the City in a property swap. Board consensus was to pursue eminent domain proceedings as the most efficient manner in curing the title.

As you may know, only the City has the power of eminent domain. Therefore, Mr. Doren has prepared a "Resolution Requesting Eminent Domain to Cure Title" for your consideration. If approved, I will forward the Resolution to the manager's office for placement on a future city commission meeting agenda.

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

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

**MOVED BY \_\_\_\_\_, SECONDED BY \_\_\_\_\_,**

**THAT THE BOARD ADOPTS THE RESOLUTION REQUESTING EMINENT DOMAIN TO CURE TITLE RELATED TO ITS PROPERTY AT 743 BOYD AVENUE; AND FURTHER REQUESTS OF THE EXECUTIVE DIRECTOR TO FORWARD THE RESOLUTION TO THE CITY COMMISSION FOR ITS CONSIDERATION.**

TRAVERSE CITY LIGHT AND POWER DEPARTMENT  
RESOLUTION REQUESTING EMINENT DOMAIN TO CURE TITLE

WHEREAS, The City of Traverse City and the Traverse City Light and Power Department entered into a Purchase and Sale Agreement dated November 26, 2013, agreeing to exchange certain real estate; and

WHEREAS, one of the properties to be conveyed to TCL&P by the City is 743 Boyd Avenue which is the following parcel:

Part of Lots 6 and 7, Block N, Hannah, Lay and Co's Seventh Addition to Traverse City, Section 11, Town 27 North, Range 11 West, City of Traverse City, Grand Traverse County, Michigan; and

WHEREAS, City records have for many years shown the City of Traverse City to be the owner of that parcel; and

WHEREAS, an examination of title has determined that other parties have or may have an interest in a part of that property, that part being the north six feet of Lot 6; and

WHEREAS, TCL&P wishes to correct this title problem and extinguish and cure title to the north six feet of Lot 6 so that it may use that property for municipal electric facilities;

NOW, THEREFORE, BE IT RESOLVED that pursuant to Traverse City Charter Section 179(e), the Traverse City Light and Power Board recommends that the City use its power of eminent domain to extinguish any cloud on or interest in title to that property except for the City of Traverse City and the Traverse City Light and Power Department; and

BE IT FURTHER RESOLVED that General Counsel is authorized at TCL&P's expense to represent the City, jointly with the City Attorney, in the eminent domain proceedings.

I hereby certify that the above Resolution was adopted on \_\_\_\_\_, 20\_\_\_\_, at the regular TCL&P Board meeting held in the Commission Chambers, Governmental Center, 400 Boardman Avenue, Traverse City, Michigan.


---

Timothy J. Arends  
Secretary  
Traverse City Light & Power Board



**TRAVERSE CITY  
LIGHT & POWER**

---

**To:** Light & Power Board  
**From:** Tim Arends, Executive Director   
**Date:** December 23, 2013  
**Subject:** Resolution Authorizing Execution of Deeds

---

Attached is a proposed Resolution as prepared by Mr. Doren that would authorize the Executive Director to sign the deeds and all other documents related to the closing on the properties related to the recent property swap with the City. The Resolution is required by the title insurance company.

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

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

**MOVED BY** \_\_\_\_\_, **SECONDED BY** \_\_\_\_\_,

**THAT THE BOARD ADOPTS THE RESOLUTION AUTHORIZING EXECUTION OF DEEDS AS PRESENTED.**

TRAVERSE CITY LIGHT AND POWER DEPARTMENT  
RESOLUTION AUTHORIZING EXECUTION OF DEEDS

WHEREAS, the Traverse City Light and Power Department and the City of Traverse City have entered into a Purchase and Sale Agreement dated November 26, 2013, authorizing the exchange of properties; and

WHEREAS, pursuant to that Agreement the Traverse City Light and Power Department is to convey two Boardman River parcels to the City of Traverse City, which parcels are legally described on Attachment A;

NOW, THEREFORE, BE IT RESOLVED that Timothy Arends, Executive Director, is authorized to sign the deeds and all other documents related to the closing of this transaction on behalf of the Traverse City Light and Power Department.

I hereby certify that the above Resolution was adopted on \_\_\_\_\_, 20\_\_\_\_, at the regular TCL&P Board meeting held in the Commission Chambers, Governmental Center, 400 Boardman Avenue, Traverse City, Michigan.

\_\_\_\_\_  
Timothy J. Arends  
Secretary  
Traverse City Light & Power Board



ATTACHMENT A

Parcel No. 28-51-658-045-20

THAT PRT OF GOV LOTS 2-3 SEC 3 T27N R11W AND PART OF HANNAH LAY & GO'S ELEVENTH ADDITION LYING BETWEEN A LINE DESCRIBED AS COMM AT THE NW COR OF FRONT AND UNION ST NORTH 444.01 FT TO THE SE COR OF LOT 70 OF SAID HANNAH LAY & CO'S ELEVENTH ADD; TH S75.2900W 425.87 FT; TH S14.3056E 94.14 FT; TH S81.5124W 186.63 TO POB TH S78.2310W 86.16 FT; TH N88.1256W 51.74 FT; TH S70.2534W 28.58 FT AND THE THREAD OF THE BOARDMAN RIVER.

TCL&P shall retain an easement for transmission/distribution twelve (12) feet on either side of the centerline of the existing utilities as constructed in substantially the form attached.

Parcel No. 28-51-103-014-30

ALL PROPERTY LYING SOUTH OF A LINE COM AT SE COR OF LOT 70 HANNAH LAY & CO'S 11TH ADD; TH S01.3100E 113.53 FT TO POB; TH S76.5137W 40.32 FT; TH S13.0823E 2.42 FT; TH S75.2611W 182 FT; TH N13.2450W 6.45 FT; TH S77.0554W 150.24 FT; TH N89.3013W 25.87 FT; TH S81.5124W 186.63 FT AND NORTH OF THE THREAD OF THE BOARDMAN RIVER

TCL&P shall retain an easement for transmission/distribution twelve (12) feet on either side of the centerline of the existing utilities as constructed in substantially the form attached.



---

**To:** Light & Power Board  
**From:** Tim Arends, Executive Director  
**Date:** December 23, 2013  
**Subject:** Presentation of the 2012-2013 Financial Audit

---



The TCL&P Financial Audit for the fiscal year ended June 30, 2013 will be presented by the audit firm of Abraham & Gaffney, P.C. A copy of the audit is in your board packet. The public can view the audit on-line at TCL&P's web page: [www.tclp.org](http://www.tclp.org)

If after the Board's questions have been answered and it is satisfied with the report, the following motion would be appropriate:

**MOVED BY \_\_\_\_\_, SECONDED BY \_\_\_\_\_,**

**THAT THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2013,  
BE ACCEPTED.**

## Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



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To the Honorable Chairman and Members of the  
Traverse City Light and Power Board  
Traverse City, Michigan

We have audited the financial statements of the business-type activities and each major fund of Traverse City Light and Power (the Department), a component unit of the City of Traverse City, for the year ended June 30, 2013. Professional standards require that we provide you with information about our audit responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated July 19, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Department. Such considerations are solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our meeting about planning matters on August 8, 2013.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements. As described in Note 13 to the financial statements, the Department adopted Governmental Accounting Standards Board Statement (GASB Statement) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2013. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the business-type activities and the Light and Power Fund were:

Management's calculation of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

Management's calculation of the current and non-current portions of accrued compensated absences is based on historical trends and annual use of paid time off.

Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

The value of other postemployment benefit assets is based on actuarial assumptions including, but not limited to rate of return on investment, life expectancy and inflation rate pertaining to healthcare costs.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No material misstatements were detected as a result of audit procedures.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 20, 2013.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Department's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Traverse City Light and Power and is not intended to be, and should not be, used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 20, 2013

**Traverse City Light and Power**

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

**Financial Statements**

**For the Fiscal Year Ended  
June 30, 2013**

# TRAVERSE CITY LIGHT AND POWER

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

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Principals

Dale J. Abraham, CPA  
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Chairman and Members of the  
Traverse City Light and Power Board  
Traverse City, Michigan

**Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and each major fund of Traverse City Light and Power (the Department), a component unit of the City of Traverse City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Traverse City Light and Power, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Changes in Accounting Principles**

As discussed in Note 13, the Department implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the year. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the required components of GASB Statements No. 63 and 65, as applicable. Our opinions are not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information has not been subjected to the auditing procedures applied in the audit in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2013, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 20, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# TRAVERSE CITY LIGHT AND POWER

## Management's Discussion and Analysis

As management of the *Traverse City Light and Power* (the "Department"), we offer readers of the Department's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's financial statements comprise three components:

1. Financial statements
2. Notes to the financial statements
3. Supplementary information

### Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Department is accounted for in two proprietary funds (Enterprise Funds). The Light and Power Fund and the Fiber Fund, both of which are considered major for reporting purposes.

*Enterprise funds* distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing electrical and dark fiber services to customers. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The *Statement of Net Position* presents information on all of the Department's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the Department's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The Department is principally supported by charges for providing electrical and dark fiber services to customers in Traverse City and Townships within the franchise area. The financial statements include only the Department itself. The Department has no legally separate component units for which the Department is financially accountable.

The Department adopts an annual appropriated budget for its funds as required by City Charter. Budgetary comparison schedules have been provided herein to demonstrate compliance with that charter provision.

The Department does not maintain any governmental or fiduciary funds.

**Notes to the financial statements.** The notes provide additional information that is essential to gain a full understanding of the data provided in the Department's financial statements.

**Supplementary information.** In addition to the financial statements and accompanying notes, this report also presents certain *supplementary information*, which includes this management discussion and analysis and schedules following the notes to financial statements.

### The Department's Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Department, assets exceeded liabilities by approximately \$71,000,000 at the close of the most recent fiscal year, June 30, 2013.

The largest portion of net position for the Department is its investment in capital assets (primarily land, construction in progress, buildings, distribution system and equipment). The Department uses these capital assets to provide services to customers. The remaining Department net position is unrestricted and available for Department activity.

#### Traverse City Light and Power's Net Position

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
<b>Business-type Activities</b>		
Current and other assets	\$ 28,526,978	\$ 35,190,798
Capital assets	<u>45,398,449</u>	<u>41,112,747</u>
Total assets	73,925,427	76,303,545
Long-term liabilities outstanding	216,923	279,430
Other liabilities	<u>2,863,014</u>	<u>2,667,465</u>
Total liabilities	<u>3,079,937</u>	<u>2,946,895</u>
Net position		
Invested in capital assets	45,398,449	41,112,747
Unrestricted	<u>25,447,041</u>	<u>32,243,903</u>
<b>Total net position</b>	<b><u>\$ 70,845,490</u></b>	<b><u>\$ 73,356,650</u></b>

#### Traverse City Light and Power's Changes in Net Position

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
<b>Business-type Activities</b>		
Operating revenue	\$ 32,017,694	\$ 32,028,292
Operating expenses	(34,474,615)	(31,944,507)
Nonoperating revenue (expenses) – net	<u>(54,239)</u>	<u>695,598</u>
Increase (decrease) in net position	(2,511,160)	779,383
Net position – beginning of year	<u>73,356,650</u>	<u>72,577,267</u>
<b>Net position – end of year</b>	<b><u>\$ 70,845,490</u></b>	<b><u>\$ 73,356,650</u></b>

### Business-type activities

The overall financial position of the Department remained strong in 2012-2013. There are no outstanding debt obligations except for the commitments through the power supply contracts with MPPA to reimburse MPPA for debt service costs relating to the Campbell, Belle River and Kalkaska Combustion Turbine generation plants.

### Revenue

Overall revenues remained relatively stable to prior year except for interest income and change in fair value of investments decreased approximately \$700,000. This decrease is attributed to the climbing interest rate environment on long-term bonds.

### Expenses

In fiscal year 2012-2013, operating expenses increased approximately \$2,530,000 from fiscal year 2011-2012 due in large part to increased power supply costs and the \$1,000,000 contribution made to the City for the Clinch Park Revitalization Project.

### Capital asset and debt administration

#### Traverse City Light and Power Capital Assets (net of depreciation)

	<u>June 30</u>	
	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 1,309,430	\$ 1,309,430
Construction in progress	4,521,877	685,751
Buildings and improvements	4,430,975	4,411,485
Equipment and distribution system	57,931,757	55,751,137
Accumulated depreciation	<u>(22,795,590)</u>	<u>(21,045,056)</u>
<b>Total</b>	<b><u>\$ 45,398,449</u></b>	<b><u>\$ 41,112,747</u></b>

Additional information about capital assets is provided in Note 3 to the financial statements.

Debt of the department consists of amounts outstanding for accrued compensated absences. Additional information can be found in Note 4 to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

A rate increase was not budgeted for fiscal year 2012-13; however, future power supply needs and legislation requiring 10% renewable energy generation by 2015 will impact the Department. Due to the uncertainty of the local and state economy, the Department maintained a status quo budget in 2013-2014 allowing for modest increases in revenues and expenses for inflation.

### Requests for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information, should be addressed to Karla Myers-Beman, Controller, Traverse City Light and Power, 1131 Hastings Street, Traverse City, MI 49686.

## **FINANCIAL STATEMENTS**

# TRAVERSE CITY LIGHT AND POWER

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

## STATEMENT OF NET POSITION JUNE 30, 2013

ASSETS	<u>Light and Power Fund</u>	<u>Fiber Fund</u>	<u>Total</u>
<b>Current assets</b>			
Cash and cash equivalents	\$ 672,795	\$ 226,597	\$ 899,392
Investments	21,174,273	-	21,174,273
Receivables			
Customer, less allowances of \$263,054 for uncollectible accounts (Light and Power Fund)	3,378,096	-	3,378,096
Accrued interest	66,398	-	66,398
Other	145,806	-	145,806
Inventories	1,748,872	-	1,748,872
Prepaid expenses	8,467	-	8,467
<b>Total current assets</b>	<u>27,194,707</u>	<u>226,597</u>	<u>27,421,304</u>
<b>Non-current assets</b>			
Other postemployment benefit asset	719,676	-	719,676
Long-term advances - due from primary government	385,998	-	385,998
Land and land improvements	1,309,430	-	1,309,430
Construction in progress	4,453,223	68,654	4,521,877
Capital assets being depreciated, net	38,278,709	1,288,433	39,567,142
<b>Total non-current assets</b>	<u>45,147,036</u>	<u>1,357,087</u>	<u>46,504,123</u>
<b>Total assets</b>	<u>72,341,743</u>	<u>1,583,684</u>	<u>73,925,427</u>

The accompanying notes are an integral part of these financial statements.

# TRAVERSE CITY LIGHT AND POWER

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

## STATEMENT OF NET POSITION JUNE 30, 2013

LIABILITIES AND NET POSITION	<u>Light and Power Fund</u>	<u>Fiber Fund</u>	<u>Total</u>
<b>Current liabilities</b>			
Accounts payable	\$ 2,107,846	\$ 285	\$ 2,108,131
Accrued expenses and other liabilities	437,070	-	437,070
Customer deposits	120,919	-	120,919
Unearned revenue	-	13,200	13,200
Compensated absences	13,426	-	13,426
Due to primary government	159,866	10,402	170,268
<b>Total current liabilities</b>	<b>2,839,127</b>	<b>23,887</b>	<b>2,863,014</b>
<b>Long-term liabilities</b>			
Compensated absences	216,923	-	216,923
<b>Total liabilities</b>	<b>3,056,050</b>	<b>23,887</b>	<b>3,079,937</b>
 <b>Net position</b>			
Invested in capital assets	44,041,362	1,357,087	45,398,449
Unrestricted	25,244,331	202,710	25,447,041
<b>Total net position</b>	<b>\$ 69,285,693</b>	<b>\$ 1,559,797</b>	<b>\$ 70,845,490</b>

The accompanying notes are an integral part of these financial statements.



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# TRAVERSE CITY LIGHT AND POWER

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

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2013

	Light and Power Fund	Fiber Fund	Total
<b>Operating revenues</b>			
Charges for services	\$ 29,254,414	\$ 208,030	\$ 29,462,444
MISO income	2,353,289	-	2,353,289
Other	201,961	-	201,961
<b>Total operating revenues</b>	<b>31,809,664</b>	<b>208,030</b>	<b>32,017,694</b>
<b>Operating expenses</b>			
Generation	23,783,427	-	23,783,427
Distribution	3,493,024	-	3,493,024
Transmission	366,978	-	366,978
Customer accounting	516,919	-	516,919
Public service	689,992	-	689,992
Community investment	1,000,000	-	1,000,000
General administration	959,602	-	959,602
Fiber	-	31,915	31,915
Other	55,453	925	56,378
City fee	1,599,866	10,402	1,610,268
Depreciation	1,878,890	87,222	1,966,112
<b>Total operating expenses</b>	<b>34,344,151</b>	<b>130,464</b>	<b>34,474,615</b>
<b>Operating income (loss)</b>	<b>(2,534,487)</b>	<b>77,566</b>	<b>(2,456,921)</b>
<b>Nonoperating revenues (expenses)</b>			
Rental income	65,228	-	65,228
Reimbursements	163,980	6,431	170,411
Interest income	207,276	-	207,276
Change in fair value of investments	(492,821)	-	(492,821)
Loss on disposal of asset	(4,333)	-	(4,333)
<b>Total nonoperating revenue (expenses) - net</b>	<b>(60,670)</b>	<b>6,431</b>	<b>(54,239)</b>
Change in net position	(2,595,157)	83,997	(2,511,160)
Net position, beginning of year	71,880,850	1,475,800	73,356,650
<b>Net position, end of year</b>	<b>\$ 69,285,693</b>	<b>\$ 1,559,797</b>	<b>\$ 70,845,490</b>

The accompanying notes are an integral part of these financial statements.

## TRAVERSE CITY LIGHT AND POWER

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

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

	Light and Power Fund	Fiber Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 31,921,227	\$ 225,352	\$ 32,146,579
Cash payments to employees	(4,974,807)	(26,189)	(5,000,996)
Cash payments to suppliers for goods and service	(25,964,305)	(14,194)	(25,978,499)
Cash payments of City fee	(1,598,157)	(9,691)	(1,607,848)
<b>Net cash (used in) provided by operating activities</b>	<b>(616,042)</b>	<b>175,278</b>	<b>(440,764)</b>
<b>Cash flows from noncapital financing activities</b>			
Cash payments from primary government	81,730	-	81,730
Customer deposits paid	(2,427)	-	(2,427)
Rental income received	65,228	-	65,228
Reimbursements received	163,980	6,431	170,411
<b>Net cash provided by noncapital financing activities</b>	<b>308,511</b>	<b>6,431</b>	<b>314,942</b>
<b>Cash flows from capital and related financing activities</b>			
Purchase of capital assets	(6,249,017)	(7,130)	(6,256,147)
<b>Cash flows from investing activities</b>			
Purchase of investments	(2,723,831)	-	(2,723,831)
Interest and dividends	(315,284)	-	(315,284)
<b>Net cash used in investing activities</b>	<b>(3,039,115)</b>	<b>-</b>	<b>(3,039,115)</b>
Net increase (decrease) in cash and cash equivalents	(9,595,663)	174,579	(9,421,084)
Cash and cash equivalents, beginning of year	10,268,458	52,018	10,320,476
<b>Cash and cash equivalents, end of year</b>	<b>\$ 672,795</b>	<b>\$ 226,597</b>	<b>\$ 899,392</b>

The accompanying notes are an integral part of these financial statements.

## TRAVERSE CITY LIGHT AND POWER

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

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

	Light and Power Fund	Fiber Fund	Total
<b>Cash flows from operating activities</b>			
Operating (loss) income	\$ (2,534,487)	\$ 77,566	\$ (2,456,921)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,878,890	87,222	1,966,112
Changes in operating assets and liabilities which provided (used) cash			
Receivables	141,580	16,222	157,802
Inventories	(47,410)	-	(47,410)
Prepaid expenses	15,698	-	15,698
Accounts payable	162,963	(7,543)	155,420
Due to other governments	1,709	711	2,420
Accrued expenses and other liabilities	25,610	-	25,610
Compensated absences	(49,081)	-	(49,081)
Unearned revenue	-	1,100	1,100
Other postemployment benefit asse	(211,514)	-	(211,514)
<b>Net cash (used in) provided by operating activities</b>	<b>\$ (616,042)</b>	<b>\$ 175,278</b>	<b>\$ (440,764)</b>

The accompanying notes are an integral part of these financial statements.

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Under provisions of the City of Traverse City (the "City") Charter, the Light and Power Board (the "Board") was created having jurisdiction and control of *Traverse City Light and Power* (the "Department"). The Board consists of seven members (two of which are City Commissioners) and one ex-officio member (the City Manager). The Department's annual budget is approved by the City Commission. The Department is required to pay 5% of its gross revenue annually to the City's General Fund as a city fee. For fiscal 2013, the city fee was \$1,610,268.

#### Reporting Entity

The Department is a discretely presented component unit of the City because the City appoints the Department's Board of Directors, it has the ability to significantly influence the Department's operations and it is financially accountable for the Department as defined under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements 39 and 61. Accordingly, the Department is an integral part of that reporting entity.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Department. There are no component units to be included. The criteria for including a component unit includes significant operational or financial relationships with the Department.

#### Basis of Accounting

The Department uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

#### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Department considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Investments

Investments are stated at fair value. The change in fair value of the investments from the beginning of the year to the end of the year is reported in the "Nonoperating revenues" section of the Statements of Revenues, Expenses and Changes in Net Position".

State statutes authorize the Department to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

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- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20, as amended.
- h. Long-term or perpetual trust funds consisting of money and royalties or money derived from oil and gas exploration on property or mineral rights owned by the Department has the same authority to invest the assets as is authorized by Public Act 314, as amended.

### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### Inventories

Inventories consist of materials to be used in the electric system and are valued at cost (first-in, first-out) not in excess of market. Maintenance and office supplies (immaterial at year end) are charged to expenses upon purchase.

### Prepaid Expenses

The Department incurred expenses prior to year-end for services that will be performed in the next fiscal year. In these situations, the Department records an asset to reflect the investment in future services.

### Capital assets

Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years.

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated lives of the related assets as follows:

	<u>Years</u>
Generation plant	33-50
Transmission and distribution plant	30-50
General plant	10-50

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

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### Compensated Absences

Compensated absences consist of accumulated unpaid vacation, short-term leave and sick pay. Accumulated unpaid vacation and short-term leave are accrued when earned. Sick pay is frozen for employees but upon death or retirement 50% of accumulated sick leave shall be paid to a maximum of 120 days. Two choices for sick pay cash out are available to employees with more than 30 days of sick leave and 10 years of service. Employees can use sick leave as allowing under the Short-Term Leave Plan or cash out all amounts of sick leave in excess of 30 days up to 120 days at the rate of 50% of employee's current pay rate. Days in excess of 120 will be added to the 30 day bank. This choice must be made as a one-time selection at any time after the employee reaches 10 years of service.

### Operating Revenue versus Nonoperating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Department are charges to customers for sales and services and Midwest Independent System Operator "MISO" revenue. Operating expenses for the Department include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Funds

The Department reports the following major proprietary funds:

The Light and Power Enterprise Fund is used to account for the operations of the Department's electric utility that provides electric service to customers on a user charge basis.

The Fiber Enterprise Fund is used to account for the operations of the Department's fiber optic utility that provides services to customers on a user charge basis. The Fiber Fund was created in 2008 with an initial capital contribution from the Light and Power Enterprise Fund.

### Restricted resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

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### 2. CASH DEPOSITS AND INVESTMENTS

The Department's cash and cash equivalents, and investments at June 30, 2013 are composed of the following:

	<u>Cash and cash equivalents</u>	<u>Investments</u>	<u>Totals</u>
Deposits	\$ 899,392	\$ 7,603,314	\$ 8,502,706
Investments	<u>-</u>	<u>13,570,959</u>	<u>13,570,959</u>
<b>Total</b>	<b><u>\$ 899,392</u></b>	<b><u>\$ 21,174,273</u></b>	<b><u>\$ 22,073,665</u></b>

Deposits consist of various interest bearing cash accounts and certificates of deposit, held by the City of Traverse City Treasurer. The insured and uninsured bank balances for the Department's deposits are not available as these deposits are held in pools with other City funds.

The Department is authorized by Michigan Public Act 20 of 1943 to invest surplus monies in U.S. bonds and notes, certain commercial paper, mutual funds and investment pools that are composed of authorized investment vehicles.

The Department chooses to disclose its investments by specifically identifying each. As of June 30, 2013, the Department's Michigan CLASS investment is rated by Standard & Poor's. The Department had the following investments:



# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
US Treasury note	09/30/2013	\$ 100,750	AA+
US Treasury note	09/30/2014	1,026,800	AA+
US Treasury note	12/31/2014	1,035,470	AA+
US Treasury note	12/05/2016	494,590	AA+
US Treasury note	12/31/2016	973,899	AA+
US Treasury note	10/30/2017	495,305	AA+
US Treasury note	06/30/2018	524,065	AA+
US Treasury note	02/15/2020	446,220	AA+
US Treasury note	02/06/2023	1,454,265	AA+
US Treasury note	03/13/2023	686,126	AA+
US Treasury note	03/20/2023	477,395	AA+
US Treasury note	03/21/2023	947,610	AA+
US Treasury note	08/27/2027	920,220	AA+
US Treasury note	10/29/2027	665,623	AA+
US Treasury note	01/25/2028	933,170	AA+
US Treasury note	02/14/2028	464,790	AA+
MPPA Investments Pool	Various	1,921,638	Unrated
Michigan CLASS	N/A	<u>3,023</u>	AAAm
		<b><u>\$ 13,570,959</u></b>	

### Investment and deposit risk

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1. The Department's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The Department's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned. State law does not require and the Department does not have a policy for deposit custodial credit risk. The insured and uninsured bank balances for the Department deposits are not available as these deposits are held in pools with other City funds.

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

*Custodial Credit Risk—Investments.* For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Department will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Department does not have a policy for investment custodial credit risk. Of the above \$13,570,959 of investments at June 30, 2013, the Department has a custodial credit risk exposure of \$11,646,298 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities. Of the above investment pools the Department's custodial credit risk exposure cannot be determined because the Department does not own specifically identifiable securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified above. The Department's investment policy does not have specific limits in excess of state law on concentration of credit risk. None of the investments held by the Department excluding government obligations explicitly guaranteed by the U.S. government and mutual fund investments exceed 5% of the Department's investments.

### 3. CAPITAL ASSETS

At June 30, 2013, capital assets consist of the following:

	<u>Beginning Balance</u>	<u>Increases &amp; Transfers</u>	<u>Decreases &amp; Transfers</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land and land improvements	\$ 1,309,430	\$ -	\$ -	\$ 1,309,430
Construction in progress	<u>685,751</u>	<u>6,161,673</u>	<u>2,325,547</u>	<u>4,521,877</u>
Total capital assets not being depreciated	<u>1,995,181</u>	<u>6,161,673</u>	<u>2,325,547</u>	<u>5,831,307</u>
Capital assets being depreciated				
Buildings and improvements	4,411,485	25,815	6,325	4,430,975
Equipment and distribution system	54,056,326	2,383,298	213,586	56,226,038
Fiber system	<u>1,694,811</u>	<u>10,908</u>	<u>-</u>	<u>1,705,719</u>
Total capital assets being depreciated	<u>60,162,622</u>	<u>2,420,021</u>	<u>219,911</u>	<u>62,362,732</u>
Less accumulated depreciation for				
Buildings and improvements	1,104,368	132,732	1,991	1,235,109
Equipment and distribution system	19,610,624	1,746,158	213,587	21,143,195
Fiber system	<u>330,064</u>	<u>87,222</u>	<u>-</u>	<u>417,286</u>
Total accumulated depreciation	<u>21,045,056</u>	<u>1,966,112</u>	<u>215,578</u>	<u>22,795,590</u>
Total capital assets being depreciated, net	<u>39,117,566</u>	<u>453,909</u>	<u>4,333</u>	<u>39,567,142</u>
<b>Total capital assets, net</b>	<b><u>\$ 41,112,747</u></b>	<b><u>\$ 6,615,582</u></b>	<b><u>\$ 2,329,880</u></b>	<b><u>\$45,398,449</u></b>

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

**4. LONG-TERM LIABILITIES**

Long-term debt at June 30, 2013, consists of the following:

	<u>Balance</u> <u>07/01/12</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/13</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Accrued compensated absences	\$ 279,430	\$ 250,332	\$ 299,413	\$230,349	\$ 13,426

**5. POWER SUPPLY PURCHASE**

In September 2010, the Department entered into two 5-year agreements with the Lansing Board of Water & Light (“LBWL”) to commence January 1, 2011. The purchase power agreement allows for the purchase of a minimum of 10 megawatts of electric energy up to a maximum of 45 megawatts to replace its deficient energy needs from the expired agreement with MPPA power pool. The estimated cost for the 5-year term is \$40,000,000. The energy service agency agreement provides for LBWL to act as the Department’s agent with Midwest ISO (“MISO”). LBWL will enter into third party contracts to purchase energy and sell surplus energy into the MISO daily and hourly markets. The estimated cost for the 5-year term is \$375,000. For the year ended June 30, 2013, the Department recognized expenses totaling \$7,424,527.

The Department, along with other Michigan municipal utilities, is a member of the 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. MPPA has acquired a 4.8% undivided interest in the Consumers Energy Campbell 3 plant, an 37.22% undivided interest in the Detroit Edison Belle River project, and 100% undivided interest in the Kalkaska Combustion Turbine project.

In 1983, the Department entered into a 35-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 26.35% of the energy generated by MPPA’s 4.8% interest in the Campbell 3 plant and 4.53% of the energy generated by MPPA’s 37.22% interest in the Belle River plant. In 2002, the Department entered into a 25-year power supply and project support contract with MPPA. Under the agreement, the Department will purchase 75.9% of the energy generated by MPPA’s 100% interest in the Kalkaska Combustion Turbine. In 2009, the Department entered into a power supply contract with MPPA. Under the agreement, the Department will purchase 8.13% of the energy generated in the MPPA’s renewable energy contract with Grainger Electric of Michigan, LLC.

For the year ended June 30, 2013, Traverse City Light and Power recognized expenses totaling \$13,582,233 to purchase power under the terms of all contracts with MPPA. The price of the power was calculated on a basis, as specified in the contracts, to enable MPPA to recover its production, transmission and debt service costs.

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

Under the terms of the contracts, the Department must make minimum annual payments to cover their share of annual debt service requirements and fixed operation costs of the Campbell 3, Belle River, and Combustion Turbine projects (based on the percentage of power purchased). Future operating costs are estimated based on 2012 costs adjusted for inflation. The total estimated future operating costs, which do not include the annual debt payments, are as follows:

<u>Year Ended December 31</u>	<u>Operating Costs</u>
2014	\$ 8,686,664
2015	8,947,264
2016	9,215,682
2017	6,188,790
2018	6,374,453
2019-2023	19,347,029
2024-2027	<u>17,673,783</u>
	<b><u>\$ 76,433,665</u></b>

The estimated total annual debt payments (assuming no early calls or refinancing) are as follows:

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 2,673,327	\$ 1,302,183	\$ 3,975,510
2015	2,773,172	1,166,105	3,939,277
2016	2,871,939	1,024,909	3,896,848
2017	2,190,741	878,642	3,069,383
2018	2,302,988	766,294	3,069,282
2019-2023	6,497,039	2,622,725	9,119,764
2024-2027	<u>6,466,680</u>	<u>828,259</u>	<u>7,294,939</u>
	<b><u>\$ 25,775,886</u></b>	<b><u>\$ 8,589,117</u></b>	<b><u>\$ 34,365,003</u></b>

The MPPA and its member utilities were over-charged on their power sales contract agreements by Detroit Edison. Because of this, MPPA and the member utilities have established a trust fund ("The Municipal Competitive Trust"). Specific policies have been established by each member regarding the use of these funds. The Department's share of this trust fund was \$1,921,638 as of June 30, 2013.

In December 2010, the Department entered into a 20-year purchase power agreement with Heritage Stoney Corners Wind Farm I, LLC to purchase up to 10 megawatts of electric energy and all associated renewable energy credits. For the year ended June 30, 2013, the Department recognized expenses totaling \$2,782,535.

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

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### 6. RETIREMENT PLAN

Through the City, the Department participates in the Municipal Employees' Retirement System (MERS) defined benefit plan that covers substantially all employees. Annual contributions to the plan are based on actuarial studies performed annually. The Department's contributions to the plan during the year ended June 30, 2013, was \$711,454. The required disclosures related to the plan are provided in the City's financial statements.

### 7. DEFERRED COMPENSATION

The Department participated in the City's Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The City has ICMA Retirement Corporation and Mass Mutual as administrators for the Plan. Participants may contribute zero to six percent of covered payroll based on the employee's employment or labor union contract. Plan provision and contribution requirements can only be amended by authorization of the City Commission. In the current fiscal year, the Department contributed \$161,226 and employees contributed \$234,588.

### 8. POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described above, the Department provides post-retirement health insurance benefits in accordance with its personnel policies and union agreements. The benefit includes payment of the retirees' premiums until they reach the age of Medicare eligibility. The Department paid \$211,514 for 34 participants in fiscal year 2012-2013.

The Department participates in the City's Municipal Employees' Retirement System retiree health funding vehicle that covers substantially all employees. Annual contributions to the plan are based on actuarial studies performed bi-annually. The Department's contribution to the plan for the fiscal year ended June 30, 2013, was \$284,110. The postemployment benefit asset for the current year is \$719,676. The required disclosures related to the plan are provided in the City's financial statements.

### 9. COMMITMENTS

In September 1994, the Department purchased the distribution facilities located within the City of Traverse City from Consumers Power Company ("Consumers") for \$840,000. The purchase was made in connection with the settlement of litigation initiated by the Department against Consumers. The purchase was completed under the auspices of the Michigan Public Service Commission and approved by the Department's Board. The Department will take possession of these facilities in three stages, one remaining stage will occur in September 2014.

#### Property

During fiscal 2003-04, the Department entered into an agreement with Maritime Heritage Alliance to lease a Department owned coal dock. The lease requires annual rental payments of \$1. Under the lease agreement, the lessee must maintain the property, carry adequate insurance and pay all assessments and property taxes on the property. The fair value of the lease is not considered by management to be significant in any one year and, therefore, is not recorded as contributed revenue and lease expense. This lease expires July 2023.

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

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### 10. CONTINGENCIES

In the normal course of business, the Department becomes a party in various legal actions and claims, some of which are uninsured. The outcome of these actions and claims is not expected to have a material effect on the financial position of the Department.

### 11. RISK OF LOSS

The Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Department is covered for these losses through the City via the Michigan Municipal Liability and Property Pool, Michigan Municipal Workers Compensation Self Insurance Fund and commercial health insurance. The Department has had no settled claims resulting from these risks that exceeded their coverage in any of the past three years.

### 12. DESIGNATIONS OF NET POSITION

The following are designations of net position established by the Board and City Charter:

	<u>June 30,</u> <u>2013</u>
Emergencies	\$ 100,056
Uninsured claims	4,504,133
Capital expansion	<u>12,100,000</u>
<b>Total</b>	<b><u>\$16,704,189</u></b>

### 13. CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, were implemented during the current year. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets and fund balance, when applicable.

# TRAVERSE CITY LIGHT AND POWER

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

## NOTES TO FINANCIAL STATEMENTS

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### 14. GASB PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pension Plans*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the discretely presented component unit statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Department is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**



**TRAVERSE CITY LIGHT AND POWER**

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

**SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (UNAUDITED)  
LIGHT AND POWER FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	Capital Assets - Cost			Balance at June 30, 2013
	Balance at June 30, 2012	Additions/ Transfers	Deletions/ Transfers	
Land and land improvements				
Land	\$ 979,304	\$ -	\$ -	\$ 979,304
Land - coal dock	248,023	-	-	248,023
Land improvements	82,103	-	-	82,103
<b>Total land and land improvements</b>	<b>1,309,430</b>	<b>-</b>	<b>-</b>	<b>1,309,430</b>
Buildings and improvements				
Distribution plant	4,321,339	25,815	6,325	4,340,829
Office structures	40,878	-	-	40,878
Other buildings	49,268	-	-	49,268
<b>Total buildings and improvements</b>	<b>4,411,485</b>	<b>25,815</b>	<b>6,325</b>	<b>4,430,975</b>
Equipment and distribution system				
Union St. Dam	24,010	-	-	24,010
Keystone plant	390	-	-	390
Wind generation unit	785,616	-	-	785,616
Transmission and distribution	52,245,084	2,336,887	115,465	54,466,506
General	1,001,226	46,411	98,121	949,516
<b>Total equipment and distribution system</b>	<b>54,056,326</b>	<b>2,383,298</b>	<b>213,586</b>	<b>56,226,038</b>
<b>Construction in progress</b>	<b>613,319</b>	<b>6,154,543</b>	<b>2,314,639</b>	<b>4,453,223</b>
<b>Total</b>	<b>\$ 60,390,560</b>	<b>\$ 8,563,656</b>	<b>\$ 2,534,550</b>	<b>\$ 66,419,666</b>

<u>Balance at June 30, 2012</u>	<u>Accumulated Depreciation</u>		<u>Balance at June 30, 2013</u>	<u>Capital Assets - Net</u>
	<u>Current Depreciation</u>	<u>Deletions</u>		<u>Balance at June 30, 2013</u>
\$ -	\$ -	\$ -	\$ -	\$ 979,304
-	-	-	-	248,023
-	-	-	-	82,103
-	-	-	-	<b>1,309,430</b>
1,088,637	129,882	1,991	1,216,528	3,124,301
7,602	1,226	-	8,828	32,050
8,129	1,624	-	9,753	39,515
<b>1,104,368</b>	<b>132,732</b>	<b>1,991</b>	<b>1,235,109</b>	<b>3,195,866</b>
20,590	720	-	21,310	2,700
349	12	-	361	29
379,746	23,569	-	403,315	382,301
18,853,266	1,618,576	115,466	20,356,376	34,110,130
356,673	103,281	98,121	361,833	587,683
<b>19,610,624</b>	<b>1,746,158</b>	<b>213,587</b>	<b>21,143,195</b>	<b>35,082,843</b>
-	-	-	-	<b>4,453,223</b>
<b>\$ 20,714,992</b>	<b>\$ 1,878,890</b>	<b>\$ 215,578</b>	<b>\$ 22,378,304</b>	<b>\$ 44,041,362</b>

**TRAVERSE CITY LIGHT AND POWER**

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

**SCHEDULE OF CAPITAL ASSETS AND DEPRECIATION (UNAUDITED)  
FIBER FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>Capital Assets - Cost</b>			<b>Balance at June 30, 2013</b>
	<b>Balance at June 30, 2012</b>	<b>Additions/ Transfers</b>	<b>Deletions/ Transfers</b>	
<b>Equipment and distribution system</b>				
Overhead	\$ 1,016,646	\$ -	\$ -	\$ 1,016,646
Underground	235,870	10,908	-	246,778
Termination boxes	346,392	-	-	346,392
Wireless equipment	51,725	-	-	51,725
Other property	44,178	-	-	44,178
<b>Total equipment and distribution system</b>	<b>1,694,811</b>	<b>10,908</b>	<b>-</b>	<b>1,705,719</b>
<b>Construction in progress</b>	<b>72,432</b>	<b>7,130</b>	<b>10,908</b>	<b>68,654</b>
<b>Total</b>	<b>\$ 1,767,243</b>	<b>\$ 18,038</b>	<b>\$ 10,908</b>	<b>\$ 1,774,373</b>

<u>Balance at June 30, 2012</u>	<u>Accumulated Depreciation</u>		<u>Balance at June 30, 2013</u>	<u>Capital Assets - Net</u>
	<u>Current Depreciation</u>	<u>Deletions</u>		<u>Balance at June 30, 2013</u>
\$ 192,538	\$ 50,833	\$ -	\$ 243,371	\$ 773,275
43,830	12,066	-	55,896	190,882
67,759	17,320	-	85,079	261,313
10,344	2,586	-	12,930	38,795
15,593	4,417	-	20,010	24,168
<b>330,064</b>	<b>87,222</b>	<b>-</b>	<b>417,286</b>	<b>1,288,433</b>
-	-	-	-	<b>68,654</b>
<b>\$ 330,064</b>	<b>\$ 87,222</b>	<b>\$ -</b>	<b>\$ 417,286</b>	<b>\$ 1,357,087</b>

## TRAVERSE CITY LIGHT AND POWER

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

### SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2013

	<u>Amended Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
<b>Operating revenues - sales</b>			
Residential	\$ 5,380,000	\$ 5,543,163	\$ 163,163
Commercial	14,130,000	14,143,835	13,835
Industrial	9,205,000	9,020,921	(184,079)
Public authority	220,100	274,590	54,490
Street lighting	195,000	194,708	(292)
Yard lights	78,400	77,197	(1,203)
<b>Total operating revenues - sales</b>	<b><u>29,208,500</u></b>	<b><u>29,254,414</u></b>	<b><u>45,914</u></b>
<b>Other operating revenues</b>			
Forfeited discounts	51,500	56,978	5,478
Merchandise and jobbing	75,000	40,647	(34,353)
Sale of scrap	18,000	50,958	32,958
Recovery of bad debts	-	108	108
MISO income	2,142,000	2,353,289	211,289
Miscellaneous	15,500	53,270	37,770
<b>Total other operating revenues</b>	<b><u>2,302,000</u></b>	<b><u>2,555,250</u></b>	<b><u>253,250</u></b>
<b>Nonoperating revenues</b>			
Rental income	43,000	23,635	(19,365)
Pole rental income	34,500	41,593	7,093
Reimbursements	100,000	163,980	63,980
Interest income	180,000	207,276	27,276
Change in fair market value of investments	-	(492,821)	(492,821)
<b>Total nonoperating revenues</b>	<b><u>357,500</u></b>	<b><u>(56,337)</u></b>	<b><u>(413,837)</u></b>
<b>Total revenues</b>	<b><u>31,868,000</u></b>	<b><u>31,753,327</u></b>	<b><u>(114,673)</u></b>

# TRAVERSE CITY LIGHT AND POWER

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

## SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2013

	Amended Budget	Actual	Positive (Negative) Variance
<b>Generation expense</b>			
Wind generator - M-72 Traverse	\$ 15,000	\$ 100,009	\$ (85,009)
Purchased power	21,420,000	23,604,543	(2,184,543)
Coal dock	5,000	13,895	(8,895)
Trap and transfer	1,000	117	883
Union street fish ladder	250	178	72
Professional development	2,500	3,521	(1,021)
Operation supplies	52,100	47,507	4,593
Communications	400	307	93
Safety	8,000	13,350	(5,350)
Miscellaneous	500	-	500
	<b>21,504,750</b>	<b>23,783,427</b>	<b>(2,278,677)</b>

Continued

# TRAVERSE CITY LIGHT AND POWER

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

## SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2013

	Amended Budget	Actual	Positive (Negative) Variance
<b>Distribution expense</b>			
Supervision and engineering	\$ 600,000	\$ 902,966	\$ (302,966)
Substation	207,000	173,653	33,347
Overhead lines	550,000	423,695	126,305
Load and dispatching	575,000	466,850	108,150
Underground lines	300,000	217,598	82,402
Customer installations	35,000	15,822	19,178
Electric meters	224,500	234,173	(9,673)
Street lighting	290,000	288,451	1,549
Plant and structures	205,000	219,019	(14,019)
Shop labor	191,000	142,129	48,871
Professional development	85,000	95,301	(10,301)
Operation supplies	100,600	127,081	(26,481)
Utilities	72,500	102,623	(30,123)
Safety	65,000	78,917	(13,917)
Miscellaneous	4,500	4,746	(246)
<b>Total distribution expense</b>	<b>3,505,100</b>	<b>3,493,024</b>	<b>12,076</b>
<b>Transmission expense</b>			
Supervision and engineering	28,350	165,659	(137,309)
Substation	37,500	27,693	9,807
Overhead lines	10,000	1,726	8,274
Load and dispatching	59,500	91,350	(31,850)
MISO	23,000	25,154	(2,154)
Miscellaneous	40,000	55,396	(15,396)
<b>Total transmission expense</b>	<b>198,350</b>	<b>366,978</b>	<b>(168,628)</b>

Continued

## TRAVERSE CITY LIGHT AND POWER

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

### SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2013

	Amended Budget	Actual	Positive (Negative) Variance
<b>Customer accounting expense</b>			
Salaries	\$ 176,500	\$ 165,986	\$ 10,514
Meter reading	90,500	82,411	8,089
Payroll taxes and fringes	137,200	127,035	10,165
Office supplies	5,200	2,483	2,717
Postage	38,000	29,542	8,458
Stationary and printing	7,000	3,524	3,476
Equipment rental	10,500	8,001	2,499
Professional and contractual	23,400	39,467	(16,067)
Uncollectible accounts	25,000	27,856	(2,856)
Collection expense	500	1,573	(1,073)
Data processing	22,500	18,769	3,731
Professional development	2,500	1,374	1,126
Miscellaneous	11,200	8,898	2,302
<b>Total customer accounting expense</b>	<b>550,000</b>	<b>516,919</b>	<b>33,081</b>
<b>Public service expense</b>			
Public service information	1,049,350	689,992	359,358
<b>Total public service expense</b>	<b>1,049,350</b>	<b>689,992</b>	<b>359,358</b>
<b>Community investment expense</b>			
Community investment	1,000,000	1,000,000	-
<b>Total community investment expense</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>-</b>

Continued



## TRAVERSE CITY LIGHT AND POWER

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

### SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) LIGHT AND POWER FUND FOR THE YEAR ENDED JUNE 30, 2013

	Amended Budget	Actual	Positive (Negative) Variance
<b>General administration expense</b>			
Salaries	\$ 665,000	\$ 461,899	\$ 203,101
Payroll taxes and fringes	182,750	163,923	18,827
Professional development	22,450	6,081	16,369
Professional and contractual	130,000	167,648	(37,648)
Office supplies	9,050	11,427	(2,377)
Fees and per diems	63,500	59,855	3,645
Special services	7,500	4,947	2,553
Legal fees	50,000	66,541	(16,541)
Utilities	8,000	7,144	856
Printing and publishing	3,500	6,034	(2,534)
Miscellaneous	3,500	4,103	(603)
<b>Total general administration expense</b>	<b>1,145,250</b>	<b>959,602</b>	<b>185,648</b>
<b>Other expenses</b>			
Insurance - general	66,500	55,453	11,047
City fee	1,578,200	1,599,866	(21,666)
Depreciation	1,875,000	1,878,890	(3,890)
Loss on disposal of capital asset	-	4,333	(4,333)
<b>Total other expenses</b>	<b>3,519,700</b>	<b>3,538,542</b>	<b>(18,842)</b>
<b>Total expenses</b>	<b>32,472,500</b>	<b>34,348,484</b>	<b>1,875,984</b>
<b>Change in net positior</b>	<b>\$ (604,500)</b>	<b>\$ (2,595,157)</b>	<b>\$ (1,990,657)</b>

## TRAVERSE CITY LIGHT AND POWER

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

### SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED) FIBER FUND FOR THE YEAR ENDED JUNE 30, 2013

	Amended Budget	Actual	Positive (Negative) Variance
<b>Operating revenues - sales</b>			
Other sales	\$ 251,500	\$ 208,030	\$ (43,470)
<b>Non-operating revenues</b>			
Reimbursements	75,900	6,431	(69,469)
<b>Total revenues</b>	<b>327,400</b>	<b>214,461</b>	<b>(112,939)</b>
<b>Fiber expenses</b>			
Supervision and engineering	69,400	13,858	55,542
Overhead	4,000	8,094	(4,094)
Underground	2,000	832	1,168
Termination boxes	80,400	5,096	75,304
Customer installations	5,600	1,762	3,838
Professional development	500	2,238	(1,738)
Miscellaneous	650	35	615
<b>Total fiber expenses</b>	<b>162,550</b>	<b>31,915</b>	<b>130,635</b>
<b>Other expenses</b>			
Insurance and bonds	1,450	925	525
City fee	12,600	10,402	2,198
Depreciation	99,800	87,222	12,578
<b>Total other expenses</b>	<b>113,850</b>	<b>98,549</b>	<b>15,301</b>
<b>Total expenses</b>	<b>276,400</b>	<b>130,464</b>	<b>145,936</b>
<b>Change in net position</b>	<b>\$ 51,000</b>	<b>\$ 83,997</b>	<b>\$ 32,997</b>

## **INTERNAL CONTROL AND COMPLIANCE**

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



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(517) 351-6836  
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Chairman and Members of the  
Traverse City Light and Power Board  
Traverse City, Michigan

We have audited, in accordance with the auditing standards general in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Traverse City Light and Power (the Department), a component unit of the City of Traverse City, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated December 20, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

December 20, 2013



# 2013 STRATEGIC PLAN AT A GLANCE

## **STRATEGIC ISSUE: Financial Stability**

**OPERATING STRATEGY:** “Maintain positive operating cash flows and adequate capital reserves to sustain the financial health of the utility.”

### **BUSINESS GOALS:**

1. Maintaining residential rates within the top 25th percentile of lowest rates in the state (on-going).
2. Develop an improved Key Accounts Program by September 1, 2014.
3. Provide transparent communications on the financial health of the organization to customers through an annual report by March 31, 2015.
4. Enhance public engagement through quarterly performance reporting to the Board and public. (on-going).

*BOARD NOTES:*

## **STRATEGIC ISSUE: Power Supply Strategy**

**OPERATING STRATEGY:** “Ensure sufficient power supply in a fiscally responsible manner.”

### **BUSINESS GOALS:**

1. Educate the board in power supply by July 1, 2014.
2. Evaluate power supply options to replace the Lansing Agreement by December 31, 2014.
3. Develop a tool/matrix based on Board input measuring the utility’s risk tolerances on different power supply options, including increased renewable energy requirements, by September 30, 2014.
4. Annually mitigate load growth to the extent of the state-mandated energy efficiency requirements.

*BOARD NOTES:*



# 2013 STRATEGIC PLAN AT A GLANCE

## **STRATEGIC ISSUE: System Reliability & Power Quality**

**OPERATING STRATEGY:** “Take a proactive approach to maintain a high level of system reliability in a cost effective manner.”

### **BUSINESS GOALS:**

1. Annually review, enhance and develop system maintenance programs ensuring ASAI (average service availability index) remains above 99%.
2. Develop a rating system by October 31, 2014 to prioritize capital system improvements, to be updated annually.
3. Formalize the Storm Restoration Plan by March 31, 2014.
4. Create a program for coordination of projects between TCL&P, other city departments, or other utilities by March 1, 2014.

*BOARD NOTES:*

## **STRATEGIC ISSUE: Technology**

**OPERATING STRATEGY:** “Embrace technologies for the benefit of the customers and community.”

### **BUSINESS GOALS:**

- 1) Implement DDA WIFI by September 30, 2014.
- 2) Enhance video security monitoring at TCL&P’s facilities by June 30, 2014.
- 3) Implement a new city wide work order management system by September 30, 2014.
- 4) Install and implement an Integrated Voice Response (IVR) system for outage management by December 31, 2014.
- 5) Fully implement the MilSoft outage management program by December 31, 2015.
- 6) Update the utility’s SCADA system to current technology by December 31, 2015.
- 7) Launch an Advanced Metering Infrastructure (AMI) Pilot by June 30, 2016.
- 8) Safeguard the utility from cyber threats to maintain above 99% intrusion rate (on-going).

*BOARD NOTES:*



# 2013 STRATEGIC PLAN AT A GLANCE

## **STRATEGIC ISSUE: High Quality Workforce**

**OPERATING STRATEGY:** “To create and maintain an organizational culture that empowers and educates employees with the end result being a safe, motivated, and highly skilled workforce.”

### **BUSINESS GOALS:**

1. Maintain a safe work environment by creating a Safety Development Plan by June 30, 2014.
2. Continue to implement 2013 Efficiency Study recommendations that will foster a work environment that encourages professional development for the betterment of the organization (on-going).
3. Develop a plan by December 31, 2014 that measures the organization’s efforts to attract and retain qualified candidates.
4. Enhance and formalize a Board Development Plan by June 30, 2014 that assists the board to make educated decisions in the best interests of the utility.
5. Develop a Communications Plan by June 30, 2015 that continues to foster transparency, accountability, trust and respect amongst management and bargaining unit employees.

*BOARD NOTES:*

## **STRATEGIC ISSUE: Customer Satisfaction**

**OPERATING STRATEGY:** “Sustain and improve the utility’s goodwill to all customers by going the extra mile.”

### **BUSINESS GOALS:**

1. Maintain a customer satisfaction rating above 93%.
2. Develop a communications strategy for residential and commercial customers by June 30, 2014.
3. Continually analyze new and current value-added programs (i.e. SUN Alliance, Energy Optimization, Electronic Billing, OH to UG Conversion, etc.) to match customer expectations of its utility.
4. Develop an improved Key Accounts Program by September 1, 2014.

*BOARD NOTES:*



# Strategic Planning

## Business Goals Presentation

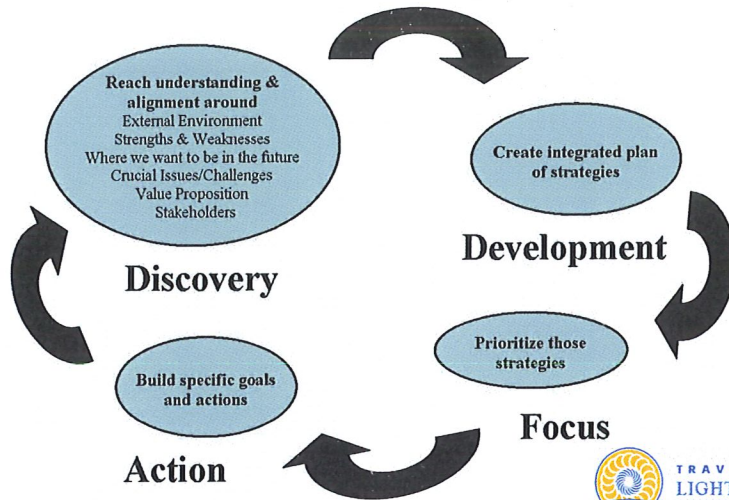


# Strategic Planning Process

- Board and Staff facilitated brainstorming sessions on priority areas for the utility's focus
- Board approved Strategic Issues:
  - Financial Stability
  - Power Supply Strategy
  - System Reliability & Power Quality
  - Technology
  - High Quality Workforce
  - Customer Satisfaction
- Developed Operating Strategies
- Focus Groups with Residential and C&I Customers
- Developed Goals and Action Items



## Strategic Planning Process



## 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.*



## Financial Stability *Operating Strategy*

“Maintain positive operating cash flows and adequate capital reserves to sustain the financial health of the utility.”



## Financial Stability *Business Goals*

- Maintaining residential rates within the top 25th percentile of lowest rates in the state (on-going).
- Develop an improved Key Accounts Program by September 1, 2014.



## Financial Stability *Business Goals*

- Provide transparent communications on the financial health of the organization to customers through an annual report by March 31, 2015.
- Enhance public engagement through quarterly performance reporting to the Board and public. (on-going).





## Power Supply Strategy *Operating Strategy*

“Ensure sufficient power supply in a fiscally responsible manner.”



## Power Supply Strategy *Business Goals*

- Educate the board in power supply by July 1, 2014.
- Evaluate power supply options to replace the Lansing Agreement by December 31, 2014.



## Power Supply Strategy *Business Goals*

- Develop a tool/matrix based on Board input measuring the utility's risk tolerances on different power supply options, including increased renewable energy requirements, by September 30, 2014.
- Annually mitigate load growth to the extent of the state-mandated energy efficiency requirements.



## System Reliability & Power Quality *Operating Strategy*

“Take a proactive approach to maintain a high level of system reliability in a cost effective manner.”



## System Reliability & Power Quality *Business Goals*

- Annually review, enhance and develop system maintenance programs ensuring ASAI (average service availability index) remains above 99%.
- Develop a rating system by October 31, 2014 to prioritize capital system improvements, to be updated annually.



## System Reliability & Power Quality *Business Goals*

- Formalize the Storm Restoration Plan by March 31, 2014.
- Create a program for coordination of projects between TCL&P, other city departments, or other utilities by March 1, 2014.



## Technology *Operating Strategy*

“Embrace technologies for the benefit of the customers and community.”



## Technology *Business Goals*

- Implement DDA WIFI by September 30, 2014.
- Enhance video security monitoring at TCL&P's facilities by June 30, 2014.
- Implement a new city wide work order management system by September 30, 2014.





## Technology *Business Goals*

- Install and implement an Integrated Voice Response (IVR) system for outage management by December 31, 2014.
- Fully implement the MilSoft outage management program by December 31, 2015.
- Update the utility's SCADA system to current technology by December 31, 2015.



## Technology *Business Goals*

- Launch an Advanced Metering Infrastructure (AMI) Pilot by June 30, 2016.
- Safeguard the utility from cyber threats to maintain above 99% intrusion rate (on-going).



## High Quality Workforce *Operating Strategy*

“To create and maintain an organizational culture that empowers and educates employees with the end result being a safe, motivated, and highly skilled workforce.”



## High Quality Workforce *Business Goals*

- Maintain a safe work environment by creating a Safety Development Plan by June 30, 2014.
- Continue to implement 2013 Efficiency Study recommendations that will foster a work environment that encourages professional development for the betterment of the organization (on-going).



## High Quality Workforce *Business Goals*

- Develop a plan by December 31, 2014 that measures the organization's efforts to attract and retain qualified candidates.
- Enhance and formalize a Board Development Plan by June 30, 2014 that assists the board to make educated decisions in the best interests of the utility.



## High Quality Workforce *Business Goals*

- Develop a Communications Plan by June 30, 2015 that continues to foster transparency, accountability, trust and respect amongst management and bargaining unit employees.



## Customer Satisfaction *Operating Strategy*

“Sustain and improve the utility’s goodwill to all customers by going the extra mile.”



## Customer Satisfaction *Business Goals*

- Maintain a customer satisfaction rating above 93%.
- Develop a communications strategy for residential and commercial customers by June 30, 2014.





## Customer Satisfaction *Business Goals*

- Continually analyze new and current value-added programs (i.e. SUN Alliance, Energy Optimization, Electronic Billing, OH to UG Conversion, etc.) to match customer expectations of its utility.
- Develop an improved Key Accounts Program by September 1, 2014.

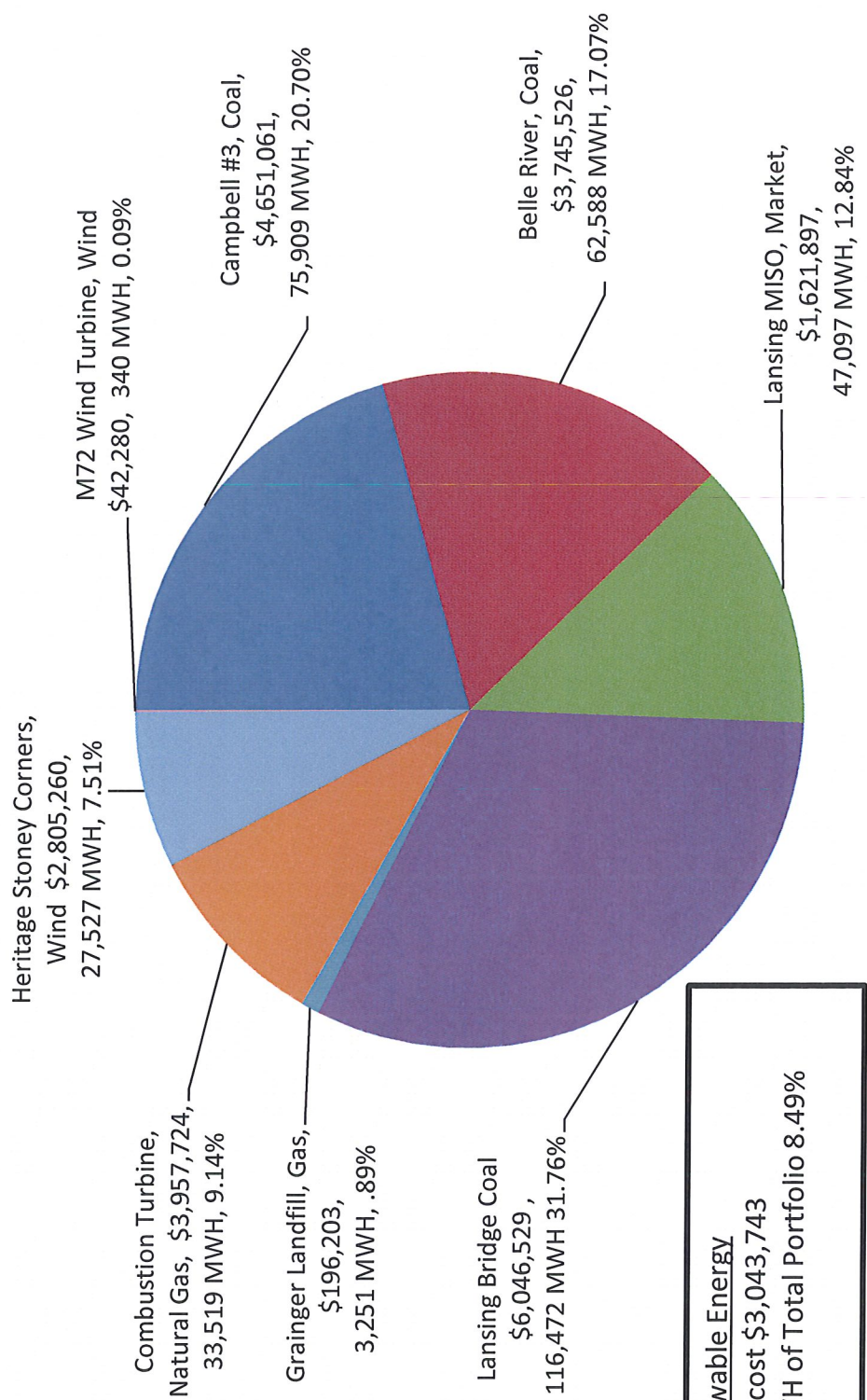


## Strategic Planning *Next Steps*

- Final Strategic Plan presented to Board at the January 28 meeting
- Staff continues to work on Business Goals
- Quarterly progress reports will be provided to the Board
- Staff will have an annual review (update) of the Plan with the board's direction
- Tracking of Plan accomplishments section in future updates

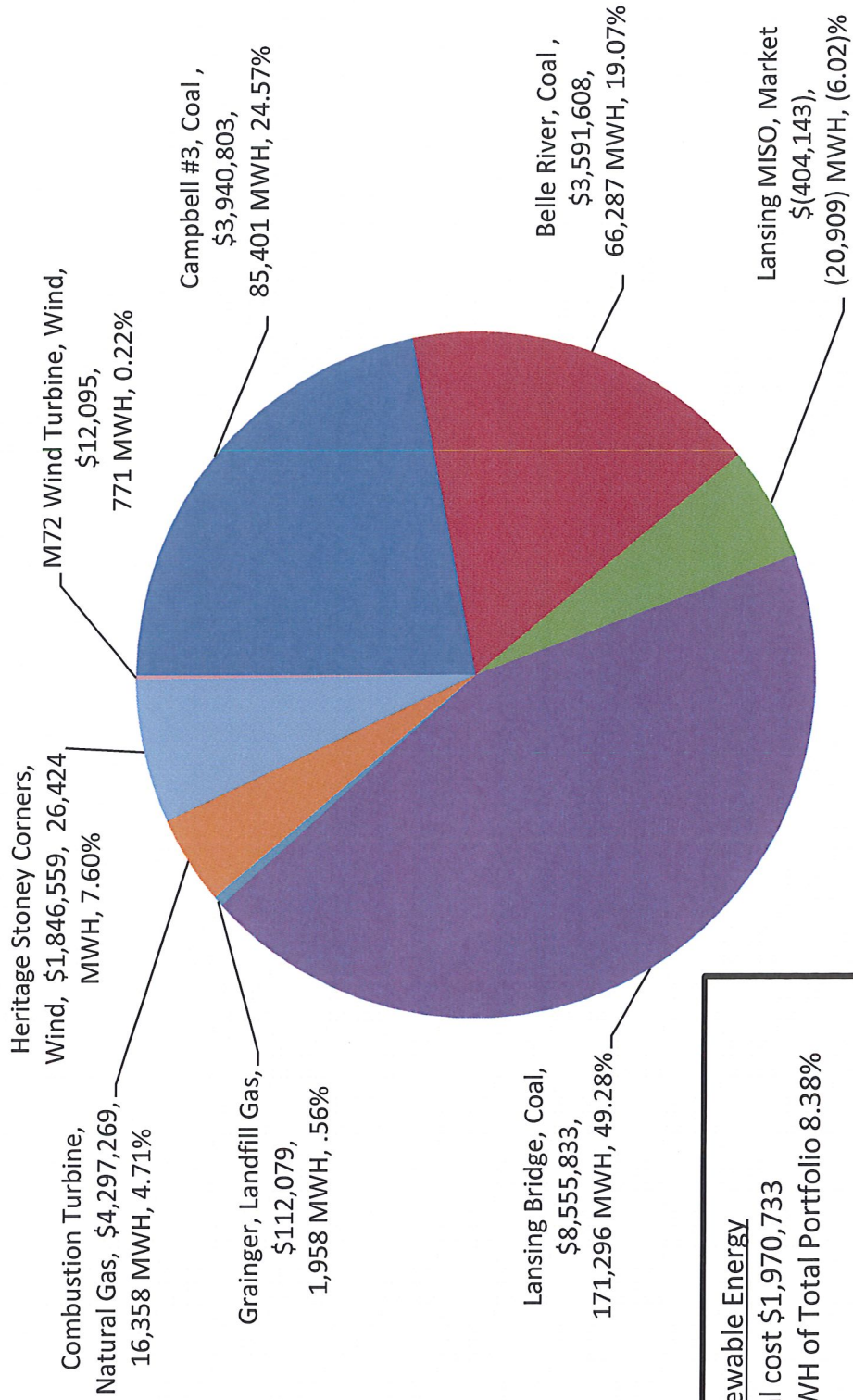


# Traverse City Light and Power 2012 Calendar Year Energy Consumption



**Renewable Energy**  
 Total cost \$3,043,743  
 % KWH of Total Portfolio 8.49%

# Traverse City Light and Power 2011 Calendar Year Energy Consumption



**Renewable Energy**  
 Total cost \$1,970,733  
 % KWH of Total Portfolio 8.38%

## Kalkaska Combustion Turbine

### Introduction:

Over the past few years members of the Board of TCLP has asked management to provide an analysis of the Kalkaska CT project. This request has principally been brought about because the annual cost incurred by TCLP appears significantly higher than the value currently provided for capacity in the marketplace by MISO. In the past, staff has provided some analysis to the board. This analysis has relied on the expected change in the value of capacity in the future within MISO. While this analysis has shown future benefit to ownership of the CT, it appears that it has inadequately satisfied their concern. What also is lacking in this past analysis is the consideration of the benefits that have accrued to TCLP for ownership since the unit came into service in 2002. What is outlined below is a process to identify how the cost/benefits analysis looks at the history as well as future projections.

### Discussion:

1. **Original justification for the Kalkaska CT:** The resulting avoided capacity cost from the installation of Kalkaska CT in 2002 until the closing of the Michigan Power Pool (MPP) is a very important period. The original justification for the installation of the Kalkaska CT was based upon an anticipated cost for capacity which would be paid by the members of the MPP to LBWL as operator of the pool. The members of MPP were dependent on LBWL for capacity and LBWL was forecasting an increase in cost for capacity charge to \$9/KW-mo. This charge was anticipated to be higher than the cost of capacity from the combustion turbine project. This became the principal justification for the Kalkaska CT within MPPA.

Table 1 below shows this annual saving to TCLP for its participation in the Kalkaska CT project.

**Table 1**

Year	Benefits from Reduced Power Pool Capacity Payments	C.T. Ownership Cost (Debt Services)	Net Benefit	Cumulative Savings
2002	\$ 160,436	\$ 1,384,970	\$(1,224,534)	\$(1,224,534)
2003	\$ 1,925,230	\$ 1,850,993	\$ 74,237	\$(1,150,297)
2004	\$ 1,942,211	\$ 1,301,080	\$ 641,131	\$(509,166)
2005	\$ 2,043,428	\$ 1,845,514	\$ 197,914	\$(311,252)
2006	\$ 3,942,468	\$ 1,623,260	\$ 2,319,208	\$ 2,007,956
2007	\$ 3,983,796	\$ 1,626,791	\$ 2,357,005	\$ 4,364,961
2008	\$ 3,983,796	\$ 1,625,195	\$ 2,358,601	\$ 6,723,562
2009	\$ 3,983,796	\$ 1,625,625	\$ 2,358,171	\$ 9,081,733
2010	\$ 3,983,796	\$ 1,627,950	\$ 2,355,846	\$ 11,437,578



2. **Savings Due to Litigation with CPCo and DTE:** There are two components to this litigation settlement that affects transmission rights for TCLP. The first is related to Kalkaska CT participates and the second was to all MPPA members:

- a. **Kalkaska CT Transmission:** MPPA obtained 40 MW’s of transmission capacity from ITC for the delivery of capacity from the Kalkaska CT. Since TCLP has 75% of the Kalkaska capacity rights, this 40 MW settlement resulted in TCLP obtaining 30 MW of ITC transmission capacity. This agreement was reached as a condition of settlement between MPPA and ITC as part of a FERC case on the transfer of transmission assets from CPCo and DTE to ITC. The cost of this 40 MW transmission capacity was financed as part of the cost of the Kalkaska unit. TCLPs monthly cost paid to MPPA for the Kalkaska unit includes the 30 MW of ITC transmission capacity. The monthly charge for transmission service is net of this capacity. This savings needs to be directly credited to the cost of the Kalkaska combustion turbine. Table 2 shows this savings.

**Table 2**

Year	Benefits From Reduced Transmission Bills	Transmission Ownership Cost (Debt Services)	Net Benefit	Cumulative Savings
2002	\$ -	\$ 49,738	\$ (49,738)	\$ (49,738)
2003	\$ -	\$ 88,143	\$ (88,143)	\$ (137,881)
2004	\$ -	\$ 63,967	\$ (63,967)	\$ (201,848)
2005	\$ -	\$ 90,605	\$ (90,605)	\$ (292,453)
2006	\$ 799,106	\$ 313,011	\$ 486,095	\$ 193,642
2007	\$ 986,473	\$ 311,505	\$ 674,968	\$ 868,610
2008	\$ 1,254,581	\$ 311,184	\$ 943,397	\$ 1,812,006
2009	\$ 1,598,483	\$ 311,267	\$ 1,287,216	\$ 3,099,222
2010	\$ 160,165	\$ 311,712	\$ (151,547)	\$ 2,947,675
2011	\$ 1,669,618	\$ 293,322	\$ 1,376,296	\$ 4,323,972
2012	\$ 1,798,527	\$ 292,952	\$ 1,505,575	\$ 5,829,546
2013	\$ 1,993,183	\$ 292,617	\$ 1,700,566	\$ 7,530,113
2014	\$ 1,993,183	\$ 293,166	\$ 1,700,017	\$ 9,230,130
2015	\$ 1,993,183	\$ 292,708	\$ 1,700,475	\$ 10,930,605
2016	\$ 1,993,183	\$ 293,105	\$ 1,700,078	\$ 12,630,683
2017	\$ 1,993,183	\$ 293,074	\$ 1,700,109	\$ 14,330,792
2018	\$ 1,993,183	\$ 293,227	\$ 1,699,956	\$ 16,030,748
2019	\$ 1,993,183	\$ 292,922	\$ 1,700,261	\$ 17,731,009
2020	\$ 1,993,183	\$ 293,379	\$ 1,699,804	\$ 19,430,813
2021	\$ 1,993,183	\$ 293,318	\$ 1,699,865	\$ 21,130,678
2022	\$ 1,993,183	\$ 292,739	\$ 1,700,444	\$ 22,831,122
2023	\$ 1,993,183	\$ 292,861	\$ 1,700,322	\$ 24,531,444
2024	\$ 1,993,183	\$ 293,013	\$ 1,700,170	\$ 26,231,614
2025	\$ 1,993,183	\$ 293,166	\$ 1,700,017	\$ 27,931,631
2026	\$ 1,993,183	\$ 293,288	\$ 1,699,895	\$ 29,631,526

- b. **Additional Capacity for all MPPA members:** The second condition of settlement with MPPA was the obtaining of additional capacity available to all members of MPPA. This resulted in TCLP obtaining 2 MW's in the ITC system. The cost for this additional capacity was paid in cash by TCLP. The results of this additional capacity is to decrease the amount of transmission capacity TCLP pays to ITC and should be factored into any cost/savings analysis but is not a direct benefit of the Kalkaska CT project.
3. **Reduced LMP due to Kalkaska CT operation:** Kalkaska CT allows TCLP to affect the locational marginal price (LMP) at the TC node where TCLP takes delivery of energy from MISO. The Kalkaska CT, when it operates, affects the transfer capacity to northern Michigan. This affect, reduces the locational marginal prices at the TC node. Therefore, there is a reduced operating cost due to lower congestion cost directly attributable to the Kalkaska CT. This benefit is over and above the savings from energy sales from the Kalkaska CT. It is very difficult to estimate the savings which accrues to TCLP. If all of the net effects of the other benefits demonstrate an economic benefit for the ownership of the Kalkaska CT, it should be noted that it is actually higher due to this affect!
4. **Kalkaska CT energy sales:** When the CT is operated it is for reliability or economics. In either case, it is being paid the "bid" price or the "LMP" at its node, whichever is greater. This results in a net margin to the owners. This contribution of net margin should be a credit against the operating cost paid to MPPA to reflect a reduced cost of operation for this ownership. Table 3 shows an estimate of the future expected net benefit of energy sales by year for the Kalkaska CT that accrued to TCLP.

**Table 3**

<b>Year</b>	<b>Net Energy Sales</b>	<b>Cumulative Savings</b>
<b>2011</b>	\$ 214,064	\$ 214,064
<b>2012</b>	\$ 611,152	\$ 825,216
<b>2013</b>	\$ 180,149	\$ 1,005,365
<b>2014</b>	\$ 180,000	\$ 1,185,365
<b>2015</b>	\$ 180,000	\$ 1,365,365
<b>2016</b>	\$ 180,000	\$ 1,545,365
<b>2017</b>	\$ 180,000	\$ 1,725,365
<b>2018</b>	\$ 180,000	\$ 1,905,365
<b>2019</b>	\$ 180,000	\$ 2,085,365
<b>2020</b>	\$ 180,000	\$ 2,265,365
<b>2021</b>	\$ 180,000	\$ 2,445,365
<b>2022</b>	\$ 180,000	\$ 2,625,365
<b>2023</b>	\$ 180,000	\$ 2,805,365
<b>2024</b>	\$ 180,000	\$ 2,985,365
<b>2025</b>	\$ 180,000	\$ 3,165,365
<b>2026</b>	\$ 180,000	\$ 3,345,365

5. **Capacity cost:** The Kalkaska CT and other TCLP assets have annually established capacity ratings that are recognized by MISO and are used to reduce the capacity obligation of TCLP. This combined capacity rating is compared to the projected demand forecast and reserve requirement to determine if there is a surplus or deficiency. If TCLP is deficient for capacity, it must purchase capacity in the open market. Without the Kalkaska CT, TCLP would be purchasing more capacity in the MISO market. Therefore, this is a direct credit of the Kalkaska CT and should be included in the CT capacity evaluation. The current cost for capacity is very low and will likely remain so for that next couple of years. If rules affecting coal utilization change and result in a significant amount of capacity being retired, this could alter available capacity in MISO significantly and result in quickly raising capacity cost.

Below is Table 4 which shows the current projections for capacity cost in the MISO market.

**Table 4**

Year	Reduced Capacity Payments \$/KW-Yr.	Capacity Rating of CT (MW)	Avoided Annual Capacity Payment	Cumulative Savings
2011	\$ 4.80	30.8	\$ 147,840	\$ (1,384,065)
2012	\$ 4.80	32.5	\$ 156,000	\$ (2,758,041)
2013	\$ 4.80	30.6	\$ 146,880	\$ (4,139,385)
2014	\$ 4.80	31	\$ 148,800	\$ (5,521,676)
2015	\$ 76.00	31	\$ 2,356,000	\$ (4,694,377)
2016	\$ 93.00	31	\$ 2,883,000	\$ (3,342,150)
2017	\$ 96.00	31	\$ 2,976,000	\$ (1,896,763)
2018	\$ 96.00	31	\$ 2,976,000	\$ (452,172)
2019	\$ 94.00	31	\$ 2,914,000	\$ 932,011
2020	\$ 82.00	31	\$ 2,542,000	\$ 1,941,806
2021	\$ 81.00	31	\$ 2,511,000	\$ 2,920,919
2022	\$ 88.00	31	\$ 2,728,000	\$ 4,120,058
2023	\$ 87.00	31	\$ 2,697,000	\$ 5,287,560
2024	\$ 92.00	31	\$ 2,852,000	\$ 6,609,265
2025	\$ 87.00	31	\$ 2,697,000	\$ 7,775,174
2026	\$ 90.00	31	\$ 2,790,000	\$ 9,033,447

## 6. Combined Effects:

When all of these components have been developed the aggregate dollars should be shown and compared to the accumulated cost over the life of the unit. Table 5 reflects the combined effects.

**Table 5**

Year	Net Annual Benefit	Cumulative Savings
2002	\$ (1,274,272)	\$ (1,274,272)
2003	\$ (13,906)	\$ (1,288,178)
2004	\$ 577,164	\$ (711,014)
2005	\$ 107,309	\$ (603,705)
2006	\$ 2,805,303	\$ 2,201,598
2007	\$ 3,031,973	\$ 5,233,571
2008	\$ 3,301,997	\$ 8,535,568
2009	\$ 3,645,387	\$ 12,180,955
2010	\$ 2,204,299	\$ 14,385,254
2011	\$ 206,296	\$ 14,591,549
2012	\$ 742,751	\$ 15,334,300
2013	\$ 499,371	\$ 15,833,671
2014	\$ 497,727	\$ 16,331,398
2015	\$ 2,707,773	\$ 19,039,171
2016	\$ 3,232,306	\$ 22,271,477
2017	\$ 3,325,496	\$ 25,596,972
2018	\$ 3,324,547	\$ 28,921,519
2019	\$ 3,264,445	\$ 32,185,964
2020	\$ 2,889,598	\$ 35,075,562
2021	\$ 2,858,978	\$ 37,934,540
2022	\$ 3,079,583	\$ 41,014,123
2023	\$ 3,047,824	\$ 44,061,947
2024	\$ 3,201,875	\$ 47,263,822
2025	\$ 3,045,927	\$ 50,309,749
2026	\$ 3,138,168	\$ 53,447,916

**Observations:**

1. TCLP has received substantial benefits from the Kalkaska CT over the period of 2002 to 2010 due to the reduced capacity cost as opposed to buying needed capacity from the Michigan Power Pool.
2. The transmission capacity obtained and financed as part of the Kalkaska CT has produced significant savings to date and will continue into the future.
3. Value has accrued to TCLP through the operation of the Kalkaska CT through lower congestion cost at the point where TCLP receives its energy from MISO. This impact is very difficult to quantify but it should not be ignored.
4. Energy sales from Kalkaska CT are a positive impact on operations. The experience of recent years should continue into the future.

5. While Capacity cost in MISO have been low in the recent past, it is anticipated to increase over the next few years as capacity in MISO is retired to deal with environmental issues. These costs will generally rise to the level of new combustion turbine capacity.

**Conclusion:**

1. The Kaskaska CT has provided value to TCLP in the 2002 through 2010 period through reduced capacity cost and transmission capacity in the ITS.
2. The period of 2011 through 2013 and the projected period of 2014 through 2015 show a cost of ownership greater than the expected benefit. However, this cost will not offset the accumulated benefits from the 2002-2010 periods.
3. The expected changes that will be coming in the near future will result in significant value to TCLP for continued ownership of the CT.

# Traverse City Record-Eagle

January 1, 2014

## Light & Power linemen work 18-hour days in Lansing area

BY BRIAN MCGILLIVARY  
bmcgillivary@record-eagle.com

--- — TRAVERSE CITY — Corey Schichtel volunteered for what turned into a 10-day odyssey of 16- to 18-hour days in an effort to restore power in the ice-ravaged cities of Lansing and East Lansing.

He and several other Traverse City Light & Power employees sacrificed their holidays to help secure light and heat to downstate communities, but Schichtel voiced only one lament:

"The only regrets I have is when I go to bed at night and knowing how cold it is and that there's still people without power," he said. "When you go to bed, even though you know you are starving for sleep, you feel bad that you are failing them. It's difficult to stop and even eat."

Schichtel, Tim Adams, and Branden Wheaton left at about noon on Dec. 22 after Light & Power officials responded to a request for mutual aid from the Lansing Board of Water and Light. A fourth local lineman, Brian Zionskowski, joined them on Dec. 27, upping the Traverse City contingent to four men and two service trucks.

The men start their days as early as 6 a.m. and work until midnight or later; they take a one-hour lunch break in the late afternoon.

The storm that swept through Michigan the weekend before Christmas initially left an estimated 598,000 homes and businesses without power. Lansing's utility board originally reported outages to about 40,000 of its 95,800 customers. Utility officials reported on their website that they had 32 line crews out working on Dec. 23, including the two from Traverse City.

The Traverse City contingent began work as soon as they arrived, paired with what is known as a "bird dog," a person who knows the system and facilitates their work. Light & Power sent its four-wheel drive truck with a long bucket arm, and crews worked on repairing main circuit lines for the first seven days. They are now down to restoring power to individual customers.

They worked through Christmas and Christmas Eve and Schichtel said they may well toil through today. His wife and young daughter came down to the Light & Power office to see him off, knowing he wouldn't be home for Christmas.

"My family understands and they know what I do," he said. "They are proud of us, proud of our whole team."

"My daughter told me, 'I thought Christmas was for family to be together,' and I said 'honey, your Christmas gift is for your dad to go down and turn the lights on for the little children who don't have any,'" Schichtel said. "She was OK with that."

Schichtel said the storm damage resembles what the Traverse City area experienced during the March 2012 storm, when ice and snow collapsed trees and power lines and cut power to about two-thirds of the city. But Traverse City has alleys, Schichtel said, which provides access for bucket trucks to most power lines.

Many Lansing streets don't have alleys, so much of the time the work involves ladders and climbing by hand through residential back yards, and requires plenty of crawling over fences and under branches.

But powerless residents are appreciative and bestow gifts of coffee and cookies on the utility workers, Schichtel said.

Amanda Idema of Lansing noticed the Light & Power logo on a truck in her neighborhood shortly before her power was restored on Christmas Day. She sent an email to utility officials and thanked them for their help.

"It's just gratitude, really. Those guys didn't have to be down here ... working those long hours in the cold and miss Christmas with their families," Idema said. "It was pretty bad down here. Whatever the Traverse City crews did to help and and continue to do is much appreciated."





**TRAVERSE CITY  
LIGHT & POWER**

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**To:** Light & Power Board  
**From:** Karla Myers-Beman, Controller *KMB*  
**Date:** December 23, 2013  
**Subject:** Proposed 2014-2015 Budget Schedule

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In preparing the 2014-15 Six Year Capital Improvements Plan and Operating Budgets, staff plans to present a budget and capital plan incorporating the goals set forth in the strategic plan to the Board before submission to the City Commission.

**Six Year Capital Plan & Budget Review:**

Charter Section 179 (o) requires: “The Board shall submit to the City Commission annually with its budget a capital improvements plan for the next six (6) years.”

Charter Section 179 (i) requires: “The Board shall submit to the City Commission on or before the last regular meeting of the City Commission in the month of April (21st in 2013) of each year an itemized budget conforming to the system of accounts required by the State of Michigan.”

Below is the schedule:

- |                                    |  |
|------------------------------------|--|
| <b>Tuesday, January 28, 2014–</b>  | <b>Regular Meeting – initial presentation of the capital plan to the Board with discussion at the February 18 meeting.</b>   |
| <b>Tuesday, February 11, 2014–</b> | <b>Staff hands out the operating budget.</b>   |
| <b>Tuesday, February 18, 2014–</b> | <b>Study Session - Budget &amp; Capital Improvements Plan review. (Light &amp; Power Service Ctr. – 1131 Hastings St @ 5:15 p.m.)</b>  |
| <b>Tuesday, February 25, 2014–</b> | <b>Regular Meeting - L&amp;P Board consideration of approval to submit its recommended budget and capital plan to the City for consideration (Government Center @ 5:15 p.m.)</b> |

If further discussion is needed, the February 25, 2014 meeting can be utilized and the consideration of approval to submit the recommended budget and capital plan to the City can be moved to March 2014.

**Highland Park Overhead to Underground  
Distribution Conversion  
PROJECT CLOSED  
PAR #2012-5**



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**Date of Board Presentation/Consideration:** November 13, 2012  
Updated January 7, 2014

**Budgeted in Capital Plan:** Yes      **Project Estimate:** \$316,497

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**Project Description:**

Replace 11 spans of high voltage overhead power lines and associated devices that are not accessible by vehicle with 3,500 feet of high voltage underground cable and associated devices. This is part of the main circuit that serves power to the Peninsula.

**Project Location:**

The overhead power line located between Highland Park Drive and Bloomfield Avenue, and runs through Highland Park.

*Reference: Attachment A.1-A.2 – Project Maps*

**Project Purpose and Necessity:**

The present overhead pole line is located in a rear lot line easement which is inaccessible to TCL&P vehicles requiring all repair work to be completed manually. Conversion of this line to underground would greatly improve the reliability of service to the customers in this area and also to all customers north of this line.

**Project Benefits:**

- Improve reliability by reducing the frequency of outages.
- Greatly reduce the need for tree trimming and possible tree removal in the project area.
- Reduction in annual maintenance costs associated with tree trimming, line maintenance and emergency repairs.
- Improve aesthetics in the neighborhood and City park.

**Selection Method:**

Originally this section of overhead line was slated to be converted to underground in conjunction with the rehabilitation project. Interruptions to this line not only affects the 35 customers in the area but also results in outages to 233 customers to the north that are also served by this line. TCL&P KPI (key performance indices) show the average customer experiences one interruption to service per year. Customers in this service area have been exposed to an average of three

**Highland Park Overhead to Underground  
Distribution Conversion  
PROJECT CLOSED  
PAR #2012-5**

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interruptions per year over the last three years. The staff collectively agreed that this project has been given top priority to successfully achieve the greatest reliability to TCL&P customers.

**Project Timeline:**

April 15, 2013 – Target Start Date  
June 28, 2013 – Target Completion Date

Project Phases:

<u>Timeline</u>		<u>Phase</u>
Current	- 4/15/2013	Preliminary Engineering and Design
4/15/2013	- 5/1/2013	Directional Bore of Conduit
5/1/2013	- 5/31/2013	Installation of Basements, Transformers and T-Taps
5/1/2013	- 5/31/2013	Trenching to Existing Underground Services
5/1/2013	- 5/31/2013	Pulling of Conductor through Conduit
5/1/2013	- 5/31/2013	Installation of Terminations
6/3/2013	- 6/4/2013	Energizing New Underground System
6/5/2013	- 6/28/2013	Removal of Overhead
4/15/2013	- 6/28/2013*	On-going Site Restoration

*\*Until complete*

*Reference: Attachment B – Gantt Chart*

**Highland Park Overhead to Underground  
Distribution Conversion  
PROJECT CLOSED  
PAR #2012-5**



**Project Budget:**

	<b>Budget</b>	<b>Actual</b>	<b>Over (Under) Budget to Actual</b>
Labor/Benefit Costs	\$72,658	\$51,463	\$(21,195)
Labor Contingency	18,164	0	(18,164)
Equipment Cost	51,562	20,356	(31,206)
Materials Cost	38,813	25,840	(12,973)
Contract Services	72,000	67,054	(4,946)
<b>Subtotal</b>	<b>\$253,197</b>	<b>\$164,713</b>	<b>(88,484)</b>
Administration Overhead	37,980	24,707	(13,273)
Total Project Contingency	25,320	0	(25,320)
<b>Grand Total</b>	<b>\$316,497</b>	<b>\$189,420</b>	<b>\$(127,077)</b>

*Reference: Attachment C.1-C.2 - Cost Estimates and Labor Breakdown*

# SAFETY METRICS 2013 Annual Report



TRAVERSE CITY  
LIGHT & POWER

## Points of Interest:

- \* Employee Injury Reporting
  - \* Reportable Cases
  - \* Lost or Restricted worked days
  - \* Workers Compensation Costs
- \* Near Miss Accidents
- \* Vehicle/Equipment/Property Damage
- \* Catastrophic Events
- \* Yearly Safety Efforts



*Traverse City Light & Power is committed to the safety of its employees and the public. To ensure proper disclosure and reporting of this commitment, TCL&P has created this Safety Metrics Annual Report which highlights key focus areas, how TCL&P performed during the reporting period along with the measures taken to continue to promote the safety culture.*

*In the future this document will serve as a benchmarking tool to assist in determining the effectiveness of TCL&P's safety efforts through comparison of the organization's performance from year to year.*

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## Employee Injury Reporting

Under the guidelines of MIOSHA, OSHA and Workers Compensation regulations, TCL&P monitors the number of injuries reported per year. This includes anything from minor first aid cases to major reportable incidents resulting in lost

or restricted worked time. In 2013 TCL&P had four reportable cases that resulted in twenty-two days of restricted work time with no lost work days. The total medical cost associated with these was approximately \$3,350.

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## Near Miss Accidents

A near miss is defined as an event that under slightly different circumstances could have resulted in an injury or damage to property or equipment. L&P believes it is important to discuss these near miss

situations in order to avoid them from happening again in the future. L&P is developing a more formal process on how these events should be reported, logged and discussed with all staff.



## Vehicle, Equipment & Property Damage

A reportable incident is one that results in damage to vehicles, equipment and property, regardless of amount. The damage can be the result of an error on the part of TCL&P or an outside entity. All such reporting is done on a prescribed form followed by an investigation.

In 2013 TCL&P had five reportable incidents. Three involved TCL&P vehicles with total repair costs of approximately \$1,750. The others involved damage to gas lines. Repairs to DTE owned equipment was approximately \$7,500.



## Catastrophic Events

In 2013 TCL&P experienced the death of a contracted tree trimmer who had come in contact with a primary line while trimming branches. Our employees responded to the crisis as a team and handled the situation quickly

and professionally.

From this experience TCL&P has undergone an extensive review of our emergency action plan, accident response procedures and is developing an Investigation Plan.

## Yearly Safety Efforts

TCL&P continues to look at ways to improve the organization's safety efforts and culture. The following are highlights from 2013.

The Safety Committee, consisting of both members of management and union employees, met monthly to discuss safety topics and concerns. Twelve safety committee meetings were held in 2013

with 87% membership participation.

An all employee safety kick-off meeting occurred on January 4, 2013. This has and will continue to occur annually.

In collaboration with MECA, eight training sessions and four workshops were held throughout the year. Additional sessions were also provided through the National Rural Electric Cooperative Association.

Five Automated External Defibrillators (AEDs) were purchased and installed in company vehicles carrying more than one person as recommended by the Efficiency Study.

**CONGRATULATIONS TO  
ALL L&P EMPLOYEES  
FOR ACHIEVING 365  
DAYS WITHOUT A LOST  
TIME INJURY!!!**



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