

A REGULAR MEETING

Of The

TRAVERSE CITY LIGHT AND POWER BOARD

Will Be Held On

Tuesday, February 12, 2019

At

5:15 p.m.

In The

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

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

Jennifer St. Amour
Administrative Assistant
1131 Hastings Street
Traverse City, MI 49686
(231) 932-4543

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

Posting Date:
2/8/19
3:00 P.M.

AGENDA

Pledge of Allegiance

1. Roll Call

2. Disclosure of Recusal

3. Consent Calendar

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

- a. Approval of Agenda.
- b. Consideration of approving minutes of the Regular Meeting of January 22, 2019. (Approval Recommended (p.4))
- c. Consideration of approving the Critical and Large Customer Project Authorization Request. (Approval Recommended) (Dixon/Chartrand) (p.7)
- d. Consideration of approving a Resolution adopting the MERS Defined Contribution Plan – Line Workers hired after 7/1/2012. (Approval Recommended) (Schroeder) (p.10)

4. Unfinished Business

None.

5. New Business

- a. Consideration of approving process for wireless providers to collocate small cell wireless facilities on utility poles in accordance with Public Act 365 of 2018. (Arends/Zeits) (p.12)
- b. Consideration of conceptually approving the amended telecommunications rate in accordance with Public Act 365 of 2018 and setting a public hearing for March 12, 2019. (Arends) (p.15)
- c. Heritage Sustainable Energy notice of solar expansion at M-72 site. (Arends) (p.19)

6. Reports and Communications

From Legal Counsel.

a. From Staff.

1. Update regarding On-Bill Financing Program. (Arends/Hardy/Templeton) (p.21)
2. Update on Airport Solar Project. (Arends) (p.45)
3. Strategic Plan Update. (Arends) (p.51)
4. Presentation of the Fiber Fund 2019-20 Budget. (Myers-Beman) (p.57)
5. December 31, 2018 financial statements. (Myers-Beman) (p.60)
6. Presentation on the 2017-18 Annual Report. (Schroeder-verbal)
7. FTTP update to Board. (Arends-verbal)

b. From Board.

7. Public Comment

a. General.

/js

**TRAVERSE CITY
LIGHT AND POWER BOARD**

Minutes of Regular Meeting
Held at 5:15 p.m., Training Room, Governmental Center
Tuesday, January 22, 2019

Board Members -

Present: Pat McGuire, Ross Hammersley, Amy Shamroe, Tim Werner, Paul Heiberger, John Taylor

Absent: Elysha Davila

Ex Officio Member -

Present: Marty Colburn, City Manager

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

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

Chairman McGuire requested Item 5 (c) be moved ahead of Item 4 (a).

CARRIED unanimously.

Item 2 on the Agenda being Disclosure of Recusal – None

Item 3 on the Agenda being Consent Calendar

Moved by Shamroe, seconded by Hammersley, that the following actions, as recommended on the Consent Calendar portion of the Agenda be approved:

- a. Approval of Agenda.
- b. Approve Minutes of the Regular Meeting of December 11, 2018.
- c. Approves the changes to the Organizational Chart and authorizes the Board Chairman to sign the Letter of Agreement between TCL&P and the Utility Workers Union of America, AFL-CIO Local No 295.
- d. Authorizes the Board Chairman to execute the Agreement regarding 'Then and Now' signs with the Downtown Development Authority.
- e. Adopts amended Accident Prevention Policy, Educational Assistance Policy, Employee Recognition Policy, Travel Expense Policy, and rescinds the Employee Suggestion Awards Program Policy.

CARRIED unanimously.

Items Removed from the Consent Calendar

- a. None.

Item 5 on the Agenda being New Business

- a. 2017-18 Financial Audit Presentation.

The following individuals addressed the Board:

Karla Myers-Beman, Controller
Doug Vredeveld, Vredeveld-Haefner, LLC

Moved by Shamroe, seconded by Heiberger, that the Financial Statements for the fiscal year ended June 30, 2018 be received and filed, as amended.

CARRIED unanimously.

Item 4 on the Agenda being Unfinished Business

- a. Consideration of approving the 2018 Six Year Capital Improvements Plan.

The following individuals addressed the Board:

Tim Arends, Executive Director

Moved by Werner, seconded by Hammersley, that the Board authorizes the Executive Director to submit the Six Year Capital Improvements Plan – 2019 as presented to the City Manager for review and approval of the City Commission and City Planning Commission.

CARRIED unanimously.

- b. Consideration of staff recommended vendor for the Fiber to the Premise Project.

The following individuals addressed the Board:

Tim Arends, Executive Director
Scott Menhart, Mgr. Telecom and Technology
Greg Manganello, Senior Vice President Services – Fujitsu
Mitch Drake, Executive Engagement Leader - Fujitsu

The following individuals from the Public addressed the Board:

Russell Schindler, 1123 W. Front Street, rate-payer
Gerald DeGrazia, 11604 Whittington Street, rate-payer

Moved by Shamroe, seconded by Hammersley, that the Board approves staffs recommendation to select Fujitsu as the vendor to begin working on an FTTP deployment plan for Phase 1 deployment for the Boards future consideration. Further, the Board authorizes the Executive Director to issue a service order to Fujitsu in a not to exceed amount of \$25,000 for the procurement of services as outlined in this memo.

CARRIED unanimously.

Item 6 on the Agenda being Reports and Communications

- a. From Legal Counsel.
- b. From Staff.
 - 1. State report on pension and other post-employment benefits.

The following individuals addressed the Board.

Karla Myers-Beman, Controller

Item 7 on the Agenda being Public Comment

- a. General

The following individuals from the Public addressed the Board:

Marilyn Passmore, Director, Government Relations, Charter Communications Inc.

There being no objection, Chairman McGuire declared the meeting adjourned at 6:46 p.m.

Tim Arends, Secretary
LIGHT AND POWER BOARD



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tony Chartrand, System Engineer
Date: January 30, 2019
Subject: Project Authorization Request – Critical and Large Customer #4 Project

Staff is requesting authorization from the Board to proceed with development, design and construction to convert a large customer's existing feed to underground and move them to a different circuit in order to serve their summer 2019 25,000 square foot expansion. The existing overhead facilities and circuit are not capable of feeding the additional load, which is projected to double. Connecting the customer onto the different circuit will improve reliability and result in TCL&P shedding 56% of the line losses, which equates to roughly \$8,000 in loss savings a year. The customer is currently a key account, and this expansion would potentially move them up close to a top ten key account with an estimated annual revenue increase of \$173K.

This project was not identified in the Capital Improvement Plans as an individual project. Emergent Customer-driven projects such as these are typically included in the line item entitled 'Extensions and New Services'.

Staff recommends Board approval of the project authorization for the Critical and Large Customer #4 Project and seeks the necessary Board approvals for expenditures in order to complete the project by June 7, 2019.

This item is on the Consent Calendar as it is deemed non-controversial. Approval of this item on the Consent Calendar means you agree with the motion provided below.

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 APPROVE, AS PRESENTED, THE CRITICAL AND LARGE CUSTOMER #4 PROJECT AND DIRECTS STAFF TO SOLICIT CONSTRUCTION BIDS AND MATERIAL QUOTES FOR THE BOARD'S CONSIDERATION OF APPROVAL AFTER DESIGN COMPLETION.

PROJECT AUTHORIZATION REQUEST



TRAVERSE CITY
LIGHT & POWER

Project Name: Critical and Large Customer #4

Budgeted in CIP: Yes

Dollar Amount Budgeted: \$200,000

Date of Board Presentation: February 12, 2019

Objective: Target Completion date of June 7, 2019

Project Description:

Extend BW-22 circuit approximately 200' west to tie into HL-22 facilities feeding west to key customer. Replace existing #2 AL underground primary with #4/0 AL underground primary across railroad tracks. Convert overhead #6 copper conductor to #4/0 AL underground. Installation of a switchgear to sectionalize key customer away from load to north.

Project Purpose and Necessity:

The capacity of the existing overhead feeder is insufficient to feed this key customer expansion.

Project Benefits:

Greater reliability for a key account, as well as other customers in the area. Lower line losses due to closer proximity to substation feeding load. Load will be rebalanced across the system by moving load from heavily loaded HL-22 circuit to lightly loaded BW-22 circuit. Tying the two circuits together will provide flexibility for planned work and can reduce outage duration during an unplanned event.

Alternatives:

Do nothing – There would be an inability to serve this customer expansion without overloading and damaging facilities and creating lengthy outages.

Reconductor existing underground and existing overhead only (no conversion or tie) – Would not rebalance load off from a heavily loaded circuit, allow for tying of circuits, or undergrounding approximately 1100' of overhead lines that are exposed to many trees, all which would improve reliability.

PROJECT AUTHORIZATION REQUEST



TRAVERSE CITY
LIGHT & POWER

Timeline:

| | |
|--------------------------------|-------------------|
| Project Kickoff | February 13, 2019 |
| Design Complete | February 22, 2019 |
| Bid Opening | March 15, 2019 |
| Construction Award | March 19, 2019 |
| Construction Start | March 25, 2019 |
| Project Substantially Complete | April 30, 2019 |
| Project Closeout | June 7, 2019 |

Financing Method:

Cash from the TCL&P electric fund balance. Bonding will not be required.

Revenues:

\$173K in additional annual revenues are forecast.

Impact on O&M Expenses:

No tree trimming will be required with underground facilities.

Staff Recommendation:

Staff recommends that Board approve the Critical & Large Customer #4 Project authorization and necessary expenditures in order to improve reliability for its customers.

Budget:

| | |
|----------------------|--------------------|
| Internal Engineering | \$8,025.39 |
| Materials | \$63,741.50 |
| Labor | \$96,786.25 |
| Contingency | <u>\$24,079.16</u> |
| | \$192,632.30 |



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Kelli Schroeder, Manager of HR & Communications
CC: Tim Arends, Executive Director
Date: February 4, 2019
Subject: Resolution adopting MERS Defined Contribution Plan

On December 11, 2018, following closed session, the Board approved a Letter of Agreement that modified the terms of employment for Line Workers hired after July 1, 2012. One of those items was changing from a MERS Defined Benefit Plan over to a MERS Defined Contribution Plan with an employer contribution of 6%. MERS has completed the required valuation report and the actual numbers came in very close to the estimates presented to you on December 11.

Included in your packet for approval (as required by MERS) is the Resolution Adopting the MERS Defined Contribution Plan establishing the new DC benefit.

This item is appearing on the Consent Calendar as it is deemed by staff to be a non-controversial item. Approval of this item on the Consent Calendar means you agree with staff's recommendation.

If any member of the Board or the public wishes to discuss this matter, other than clarifying questions, the item should be placed on the "Items Removed from the Consent Calendar" portion of the agenda for full discussion.

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

MOVED BY _____, SECONDED BY _____,

**THAT THE BOARD APPROVES THE RESOLUTION ADOPTING THE MERS
DEFINED CONTRIBUTION PLAN AND AUTHORIZES THE EXECUTIVE
DIRECTOR TO SIGN.**

Resolution Adopting the MERS Defined Contribution Plan



1134 Municipal Way Lansing, MI 48917 | 800.767.MERS (6377) | Fax 517.703.9711

www.mersofmich.com

This Resolution is entered into under the provisions of 1996 PA 220 and the Municipal Employees' Retirement System of Michigan ("MERS") Plan Document, as each may be amended.

WHEREAS, the participating entity desires to adopt the MERS Defined Contribution Plan for its designated employees;

WHEREAS, the participating entity has furnished MERS with required data regarding each eligible employee and retiree;

WHEREAS, as a condition of MERS membership, and pursuant to the MERS Retirement Board's power as plan administrator and trustee under Plan Document Section 71 and MCL 38.1536, as each may be amended, it is appropriate and necessary to enter into a binding agreement providing for the administration of the Defined Contribution Plan, the reporting of wages, and the payment of the required contributions of a participating entity and withholding of employee contributions; now, therefore,

IT IS HEREBY RESOLVED:

On behalf of the participating entity, **the governing body** of
Traverse City Light & Power _____ adopts the MERS Defined
Contribution Plan in accordance with Plan Section 4 for its eligible employees as described
in the MERS Defined Contribution Adoption Agreement, subject to the MERS Plan
Document and as authorized by 1996 PA 220, as both may be amended;

I hereby certify that the above is a true copy of the Defined Contribution Resolution adopted at the official meeting held by the governing body of this municipality:

Dated: February 12, 2019.

(Signature of Authorized Official)

Printed name: Timothy Arends, Executive Director

(Authorized Official - printed)

This Resolution shall have no legal effect under the MERS Plan Document until a certified copy of this adopting Resolution is filed with MERS, MERS determines that all necessary requirements under the Plan Document, the Adoption Agreement, and this Resolution have been met, and MERS certifies the Resolution below.

Received and Approved by the Municipal Employees' Retirement System of Michigan:

Dated: _____, 20____.

(Signature of Authorized MERS Representative)



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tim Arends, Executive Director
Date: February 4, 2019
Subject: Public Act 365 of 2018 – Small Cell Wireless

The State of Michigan enacted Public Act 365 of 2018 known as the Small Wireless Communications Facilities Deployment Act. The purpose of the legislation is to allow for development of small cell wireless within the State of Michigan on a nondiscriminatory basis.

One of the requirements of the statute requires a municipal electric utility to adopt a process by March 12, 2019 for requests by wireless providers to colocate small cell wireless facilities on utility poles that is nondiscriminatory and competitively neutral.

Staff has been working with legal counsel since the approval of the public act to amend the utility's standard pole attachment agreement to define the utility's process and ensure compliance with the requirements set forth in the legislation.

Legal counsel has prepared a resolution for adoption by the Board outlining the process for requests by wireless providers to colocate small cell wireless facilities on TCL&P poles for documenting compliance with the statute requirement.

If the Board concurs with the adoption of the resolution the following motion would be appropriate.

MOVED BY _____, SECONDED BY _____,

**THAT THE BOARD ADOPTS THE RESOLUTION FOR REQUESTS BY WIRELESS
PROVIDERS TO COLOCATE SMALL CELL WIRELESS FACILITIES ON
TRAVERSE CITY LIGHT AND POWER DEPARTMENT POLES.**

TRAVERSE CITY LIGHT AND POWER DEPARTMENT
RESOLUTION

ADOPTING A PROCEESS FOR REQUESTS BY WIRELESS PROVIDERS TO COLOCATE SMALL CELL WIRELESS FACILITIES ON TRAVERSE CITY LIGHT AND POWER DEPARTMENT POLES, ALLOWING COLLOCATION OF SMALL CELL WIRELESS FACILITIES ON TRAVERSE CITY LIGHT AND POWER DEPARTMENT POLES SUBJECT TO THE TERMS AND CONDITIONS OF A STANDARD POLE ATTACHMENT AGREEMENT WHICH ESTABLISHES A PROCESS FOR MAKE-READY WORK AND RELOCATION AND RELIABILITY, SAFETY, AND ENGINEERING STANDARDS, AND ESTABLISHING FEES THEREFORE IN COMPLIANCE WITH THE SMALL WIRELESS COMMUNICATIONS FACILITIES DEPLOYMENT ACT, ACT 365 OF 2018

WHEREAS, the Traverse City Light and Power Department (“TCL&P”) is a municipally owned electrical utility; and

WHEREAS, TCL&P uses and controls utility pole for electric delivery service; and

WHEREAS, the Small Wireless Communications Facilities Deployment Act (the “Act”), requires that the TCL&P permit the collocation of small cell wireless facilities on Traverse City Light and Power Department poles on a nondiscriminatory basis; and

WHEREAS, the Act requires TCL&P to adopt a process for request by wireless providers to collocate small cell wireless facilities on TCL&P’s that is nondiscriminatory and competitively neutral; and

WHEREAS, the Act authorizes TCL&P to adopt a process for make-ready work for collocation of small cell wireless facilities provided that the process has been adopted for other parties under the same or similar circumstances; and

WHEREAS, the Act authorizes TCL&P to establish terms for relocation of small cell wireless facilities collocated on TCL&P poles; and

WHEREAS, the Act authorizes TCL&P to adopt reliability, safety, and engineering standards for collocation of small cell wireless facilities; and

WHEREAS, the Act allows TCL&P to require an attaching entity to execute an agreement for collocation of small cell wireless facilities; and

WHEREAS, the Act authorizes TCL&P to impose certain fees and charges for collocation and make-ready work;

NOW, THEREFORE, BE IT RESOLVED as follows:

1. That TCL&P adopts the process as set forth in the Standard Pole Attachment License Agreement for Communication Facilities and Appendices, as such may be amended

by resolution of TCL&P from time to time, (the "Agreement") for requests by wireless providers to colocate small cell wireless facilities on TCL&P poles.

2. That TCL&P allows collocation of small cell wireless facilities on TCL&P poles as set forth in the Agreement and further finds as follows:
 - a. Decorative light poles as defined in the Agreement are not designed or desired to support small cell wireless facilities.
 - b. Decorative light poles are not used for electric delivery service as defined in MCL 460.10y(13)(a).
3. That TCL&P adopts the process for make-ready work for collocation of small cell wireless facilities as set forth in the Agreement.
4. That TCL&P adopts the terms for relocation of small cell wireless facilities colocated on TCL&P poles as set forth in the Agreement.
5. That TCL&P establishes and adopts the reliability, safety, and engineering standards set forth in the Agreement.
6. That TCL&P establishes the fees and charges for small cell wireless facility attachments as set forth in Appendix A of the Agreement.
7. That TCL&P requires all entities requesting collocation of small cell wireless facilities to execute the Agreement prior to making application for a permit to attach to TCL&P Poles.

BE IT FURTHER RESOLVED that this Resolution shall be effective immediately.

I hereby certify that the above Resolution was adopted on _____, 2019, 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: February 4, 2019
Subject: Telecommunications Rate

An additional requirement beyond adopting the process, Public Act 365 of 2018 requires utilities not to charge an attaching entity a rate for wire or cable pole attachments within the communication space on a non-authority pole greater than the maximum allowable rate pursuant to 47 USC 224 (d) and as established in Federal Communication Commission Order on Reconsideration 15-151. Additionally, the statute states a wireless provider to collocate on non-authority pole in ROW shall not exceed \$50 annually per non-authority pole. Along with limits established regarding processing the request and engineering analysis.

The current telecommunication rate decreased with the requirement of the utility to follow the FCC Telecom Rate. Previously, staff calculated the telecommunication rate based on the APPA cost share rate method that allocated all costs evenly among the attaching entities. Whereas the FCC Telecom Rate allocates less cost of the support space to the wireline attaching entities for the purpose to encourage deployment of broadband. The current telecommunications rate in accordance with the tariff was \$13.27 and reduced to \$8.04.

Additionally, staff prepared a wireless attachment rate based on evenly shared costs of the utility pole since there is no governance at this time as to the calculation of the rate except per the statute it cannot exceed \$50 annually per pole. It was developed on a per foot basis as the small cell wireless and equipment can differentiate in size.

Staff will request the Board to conceptually approve the amended telecommunications rate to be in compliance with Public Act 365 of 2018 and then to set a public hearing to be in compliance with the City Charter.

If the Board agrees with staff's recommendation the following board motions would be appropriate:

MOTION ON NEXT PAGE

FOR THE LIGHT & POWER BOARD MEETING OF FEBRUARY 12, 2019

MOVED BY _____, SECONDED BY _____,

**THAT THE BOARD CONCEPTUALLY APPROVES THE AMENDED
TELECOMMUNICATION RATE AS PRESENTED WITH FINAL APPROVAL TO
OCCUR AFTER THE PUBLIC HEARING. IN ADDITION, SET A PUBLIC HEARING
AT THE MARCH 12, 2019 REGULAR MEETING, AND FURTHER THAT A
NOTICE OF THE PUBLIC HEARING BE POSTED ON THE UTILITY'S WEBSITE
AND PLACED IN THE TRAVERSE CITY RECORD EAGLE.**

City of Traverse City
Light and Power Department
Effective: ~~February 10, 2015~~

TELECOMMUNICATIONS RATE

(Rate "TC")

Availability:

Available to customers, ~~on an individually negotiated basis other than public utilities desiring to attach cable, wire, or equipment to TCLP owned distribution or transmission poles and for which TCLP does not attach distribution cables and wires to poles owned by the attaching customer, other than public utilities located within the Department's existing Service Area.~~ This rate is offered at the discretion of the Light and Power Board and may not be available if the Board determines, in any particular case, that it is not in the public interest to do so. A signed Agreement is required, which describes terms and conditions of service to which this rate applies.

Nature of Service:

Attachments to the Department's poles must conform to applicable federal, state, and local electrical code requirements as well as Department's standards – particularly with conformance to separation of services. The Department reserves the right to remove attachments at any time, without notice, if removal is required for safety or emergency reasons. The Department will not be liable for damage to telecommunications facilities. If any such damage should occur, customer must pay for replacement, relocation, or repair.

Rates and Charges:

| | |
|---|---|
| One time license agreement fee: | \$360.00 |
| Permit application fee per pole | \$ 50.00 |
| <u>Engineering analysis fee per pole</u> | <u>\$100.00</u> |
| <u>Annual wireline pole attachment fee:</u> | <u>\$8.04/per pole</u> |
| <u>Equipment attachments</u> | <u>\$14.97 per foot/per attachment</u> |
| <u>Annual small cell wireless attachments</u> | <u>\$14.97 per foot/per attachment</u> <u>not to exceed \$50.00 per</u> <u>attachment</u> |

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~~The Annual Pole Attachment Fee shall be adjusted annually by any change in the Index known as "United States Bureau of Labor Statistics, Consumer Price Index—All Urban Consumers, base period 1982-84 =100, (CPI-U)," herein referred to as the "Index."~~

The permit application, engineering analysis, and the annual attachment for small cell wireless shall be adjusted every five years after March 12, 2019 by 10% rounded to the nearest dollar. The one-time license agreement is not applicable for small cell wireless license agreements.

Per foot is defined as the amount of space taken up on the pole.

Whenever this Agreement requires Licensee to pay for work done or contracted by Utility in accordance with the pole attachment agreement, the charge for such work shall include reasonable material, labor, engineering, administrative and applicable overhead costs. ~~If Licensee was required to perform work and fails to perform such work, necessitating completion of the work by Utility, Utility may charge an additional ten percent (10%) of its costs or assess the penalty specified above.~~

Failure to timely transfer, abandon or remove facilities or improperly assign penalty will be ~~1/5th the annual attachment fee per day, per pole, first thirty (30) days; after the initial thirty (30) days the penalty shall be equal to the annual attachment fee per day, per pole.~~ \$500 per day.

Any unauthorized attachment penalty fee will be five times the annual attachment fee, per occurrence.

Due Date:

Payment of the Applicable Annual Rates shall be due no later than July 31 of each year for the ~~previous~~ current rental period. The initial annual rental period shall commence upon the ~~execution of this Agreement~~ date the permits are issued and conclude on ~~the following~~ the following June 30 ~~with the fees to be prorated. of the next year and each~~ The subsequent annual rental period commence on the following July 1 and conclude on June 30 of the subsequent year.

The due date for billings will be thirty (30) days after the billing is mailed. A late charge of 1% per month compounded for any delinquent payments.



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tim Arends, Executive Director
Date: February 4, 2019
Subject: Heritage Option

Heritage Sustainable Energy LLC (“seller”) provided notice to staff requesting to exercise the option within the amended purchase power agreement executed August 16, 2017. The option allows for Heritage Sustainable Energy LLC to expand its current solar generating facility located near the M-72 wind turbine an additional 1 to 3 MW at a purchase price of \$99.50 per MWh.

If the TCLP (“buyer”) agrees to purchase the additional energy at the reflected price above an acceptance notice must be provided within 60 days of the expansion notice. If the buyer does not wish to purchase the additional energy at the initial price of \$99.50 per MWh, the seller may sell the energy to any person or to the buyer based on the locational marginal pricing (market) at the Traverse City node.

The seller has provided notice they are expanding the solar generating facility an additional 2 MW. This equates to an initial approximate additional 2,452 MWh of renewable energy utilizing a 14% capacity rate at an initial annual cost of \$243,974.

Staff believes there are two options:

1. Accept the expansion notice and have it become part of TCL&P’s purchase power portfolio.
2. Let the expansion notice expire and if the energy is available purchase it at the locational marginal pricing (market) at the Traverse City node.

The notice from the seller is included in the packet for your review.

Jennifer St. Amour

Subject: FW: M72 Solar

From: Marty Lagina [Marty@RockMI.com]
Sent: Friday, February 1, 2019 1:12 PM
To: Tim Arends
Subject: M72 Solar

Tim: I am writing to formally propose that TCLP purchase the power from an additional 2 MW solar array to be installed adjacent to our existing M72 project

Specifically, pursuant to 6.2.2 and 6.2.3 of the " Amended and Restated Power Purchase Agreement" dated 8/16/2017, Heritage is providing notice that we would like to build a 2 MW Solar Expansion. TCLP has 60 days to elect to purchase the power generated therefrom at the Product Rate set forth in 1.66.3

Heritage is offering this option to TCLP at this time, because Elmwood Township recently passed zoning criteria that allow for this development to proceed

Thank you for considering purchasing this additional clean renewable energy for Traverse City

If you have any questions , please feel free to contact me at any time

Thank you

M Lagina
President
Heritage Sustainable Energy LLC



**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Jacob Hardy, Energy Technician
Date: February 6, 2019
Subject: On-Bill Financing

As part of our Energy Optimization program staff has been looking for ways to maximize efficiency projects for our residential ratepayers. Through discussions and research, on-bill financing came to the forefront as the most viable and effective way to accomplish this. It will also give our ratepayers the opportunity to make efficiency upgrades they might otherwise not be able to do.

Mary Templeton of Michigan Saves will present a full scope of how it works and explain the City of Holland's program as an example of what the program could look like for Traverse City residents.

The utility is seeking USDA financing for a zero percent loan that can be relented to those interested in this program. We will come back to the Board in March with a Resolution to be recommended to the City Commission for approval in approving this program.

Financing Energy-efficiency and Renewable Energy Projects

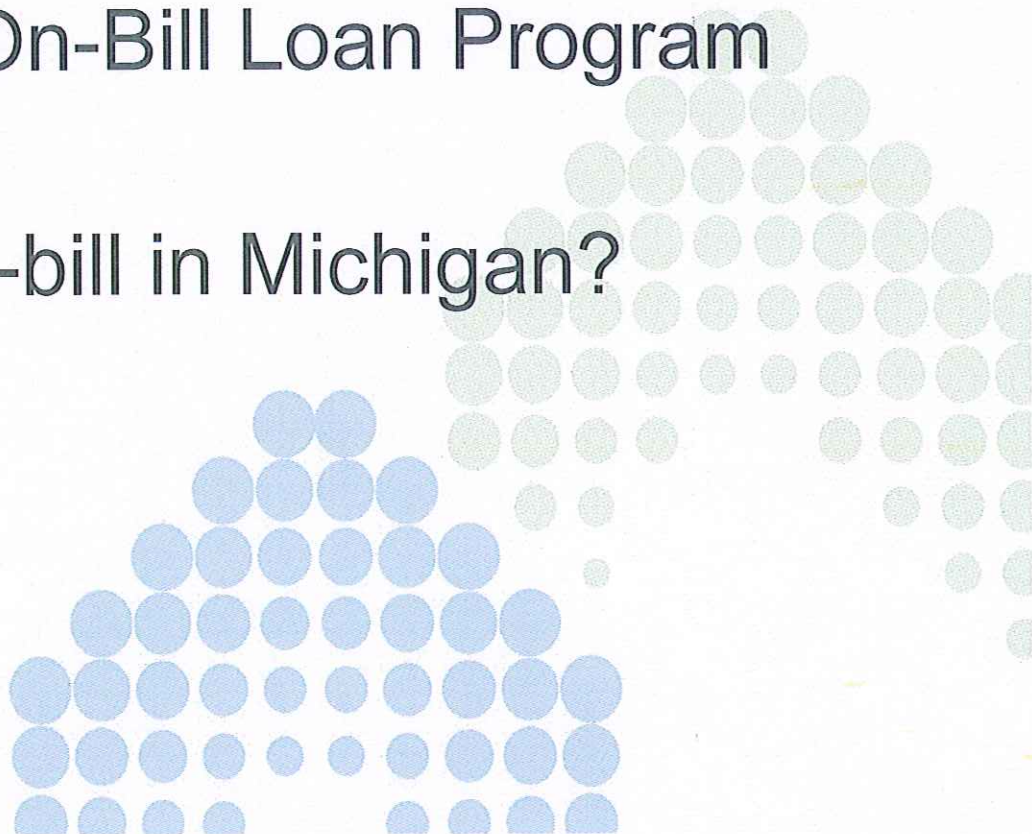
Mary Templeton, Michigan Saves

February 12, 2019



Agenda

- Background
- Why on-bill?
- How is Holland's On-Bill Loan Program (OBLP) going?
- What's next for on-bill in Michigan?



Michigan Saves

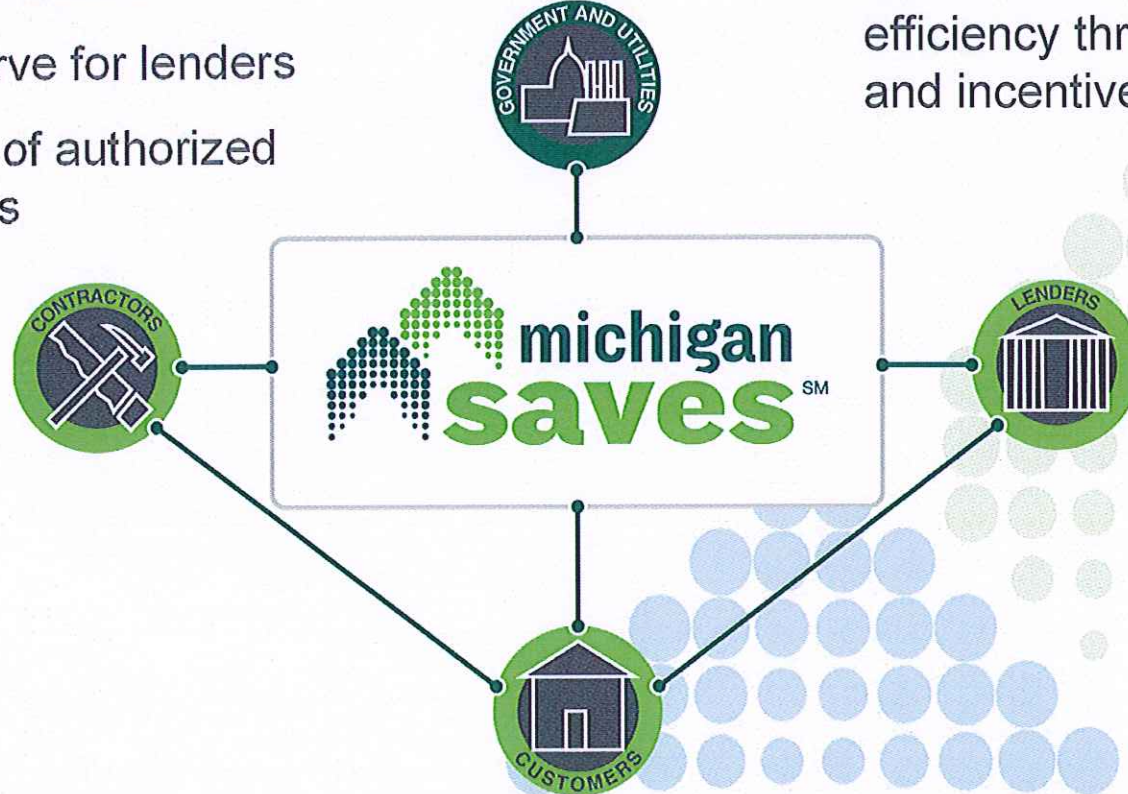
Easy, Affordable Options for Residential, Commercial, and Municipal Energy Improvements



www.michigansaves.org

What Is Michigan Saves?

- Nonprofit green bank
- Process driven by research and stakeholders
- Loss reserve for lenders
- Oversight of authorized contractors
- Program guidelines and quality control
- Demand for energy efficiency through outreach and incentives



In the Beginning . . .



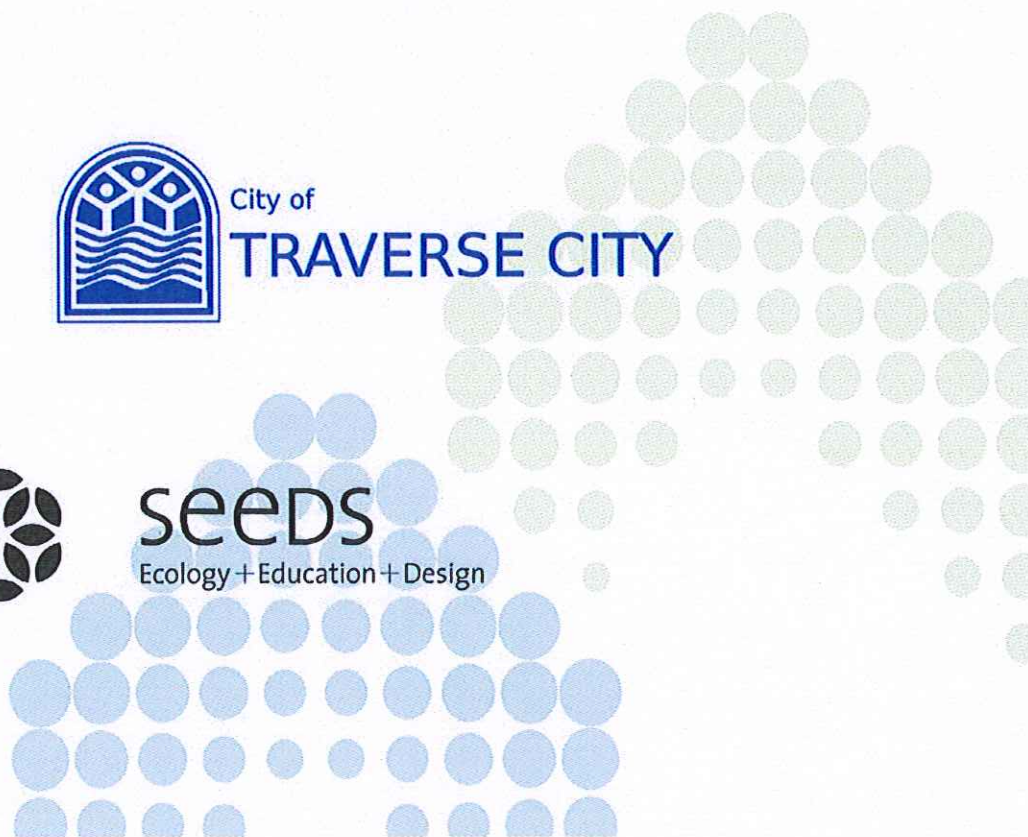
TRAVERSE CITY
LIGHT & POWER



City of
TRAVERSE CITY



seeds
Ecology + Education + Design



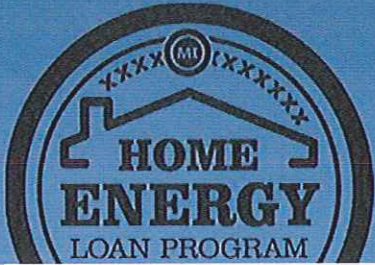
Results through 2018

| | |
|------------------|--------------------------------------|
| Number of Loans: | 14,000 |
| Value of Loans: | \$170M |
| Type: | Energy efficiency, solar, geothermal |
| Customers: | Residential, commercial, municipal |
| Defaults: | Less than 2 percent |
| Leverage: | More than 20:1 |



“It just doesn’t make sense to keep letting our money and our energy go out the window.”

—Ruth Lumpkins

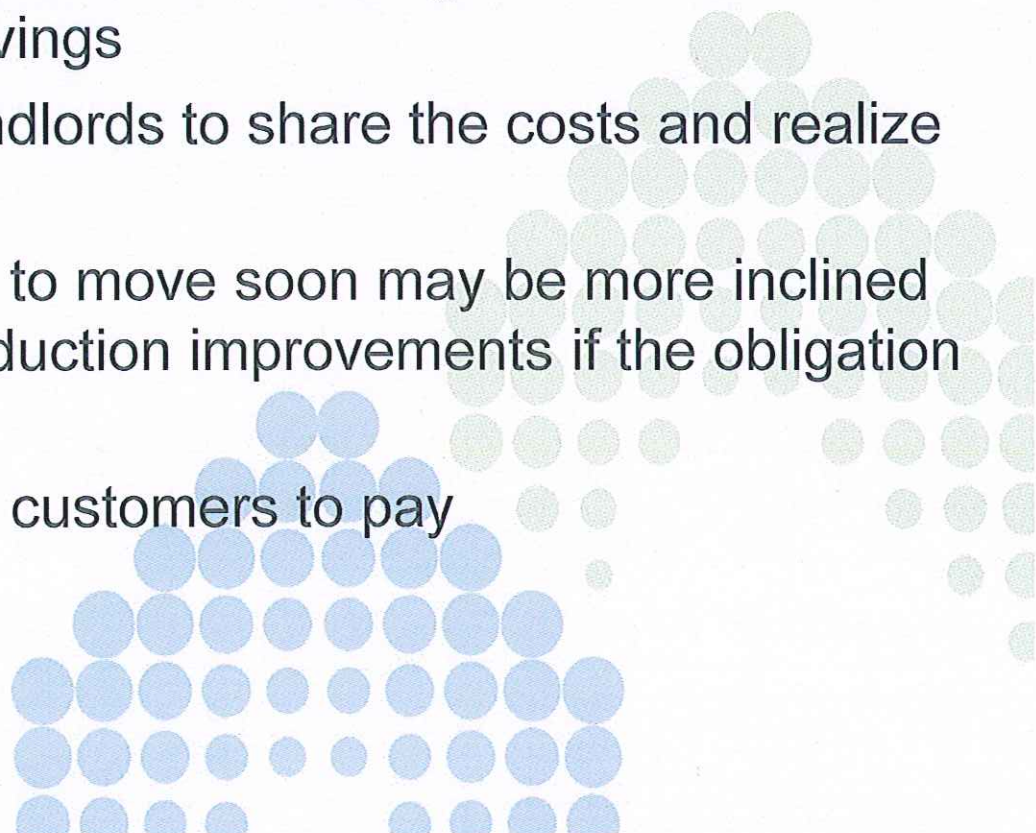


www.michigansaves.org

Why On-bill?

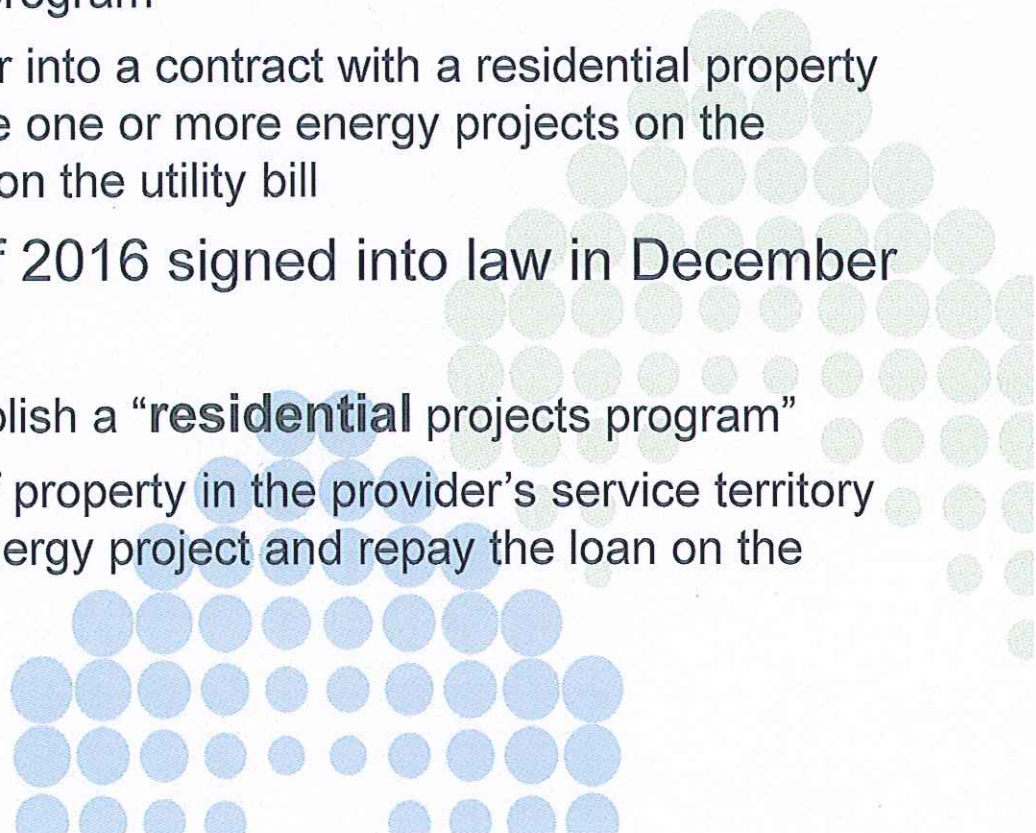
Market Gaps Addressed by On-bill Programs

- Expanding access to those who don't qualify for traditional loans by using utility bill payment history for underwriting
- Lengthening terms to 15 years oftentimes gets close to matching payments to savings
- Tenants can work with landlords to share the costs and realize benefits of improvements
- Homeowners who expect to move soon may be more inclined to install energy waste reduction improvements if the obligation transfers to next owner
- One bill makes it easy for customers to pay



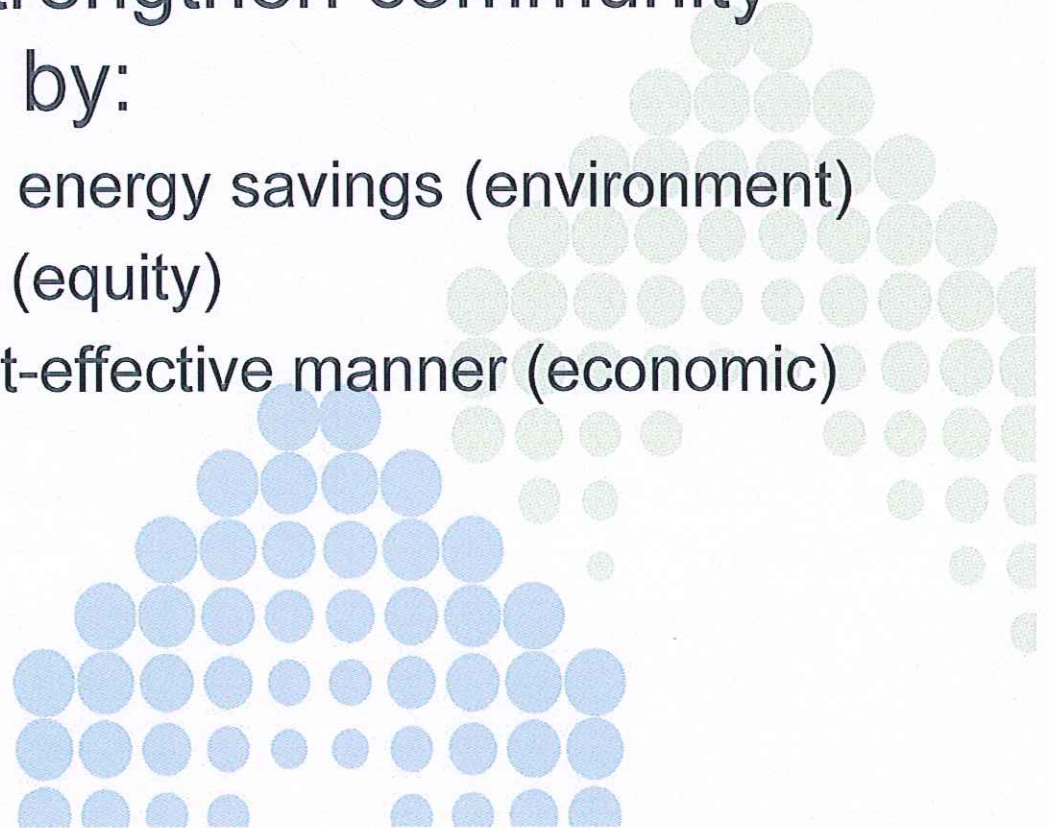
Legislation

- Michigan Municipal Utility Residential Clean Energy Program Act (PA 408 of 2014) signed into law in December 2014
 - Enables municipalities that have municipal electric utilities to establish a “**residential** clean energy program”
 - Allows a municipality to enter into a contract with a residential property owner to finance or refinance one or more energy projects on the property and repay the loan on the utility bill
- Public Acts 341 and 342 of 2016 signed into law in December 2016
 - Regulated utilities may establish a “**residential** projects program”
 - Allows an owner of record of property in the provider’s service territory to finance or refinance an energy project and repay the loan on the utility bill



First Municipal On-bill Program: Holland Board of Public Works (BPW)

- Launched in November 2016
- Program goal to strengthen community and neighborhood by:
 - Encouraging deep energy savings (environment)
 - Increasing access (equity)
 - Operating in a cost-effective manner (economic)



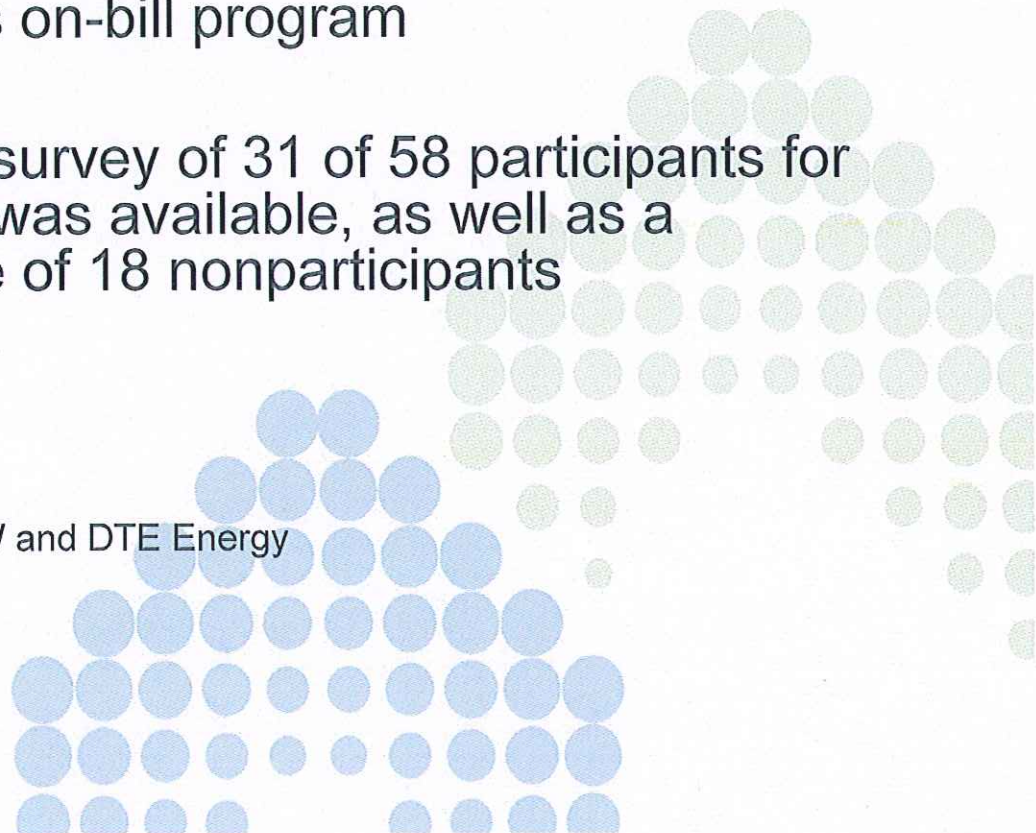
Results

| | November 2016–December 2018 |
|------------------------------|-----------------------------|
| Applications | 167 |
| Approved | 121 |
| Closed loans | 82 |
| Total loan value | \$1,181,140 |
| Average loan value | \$14,404 |
| Chose 5.99% with longer term | 51 |

Feedback from Holland Customers

- Surveys and focus group conducted by Public Sector Consultants (PSC) and funded by DTE Energy
- The goal of these efforts was to learn more about customers' experiences with Holland's on-bill program
- PSC conducted an online survey of 31 of 58 participants for which contact information was available, as well as a telephone survey with nine of 18 nonparticipants

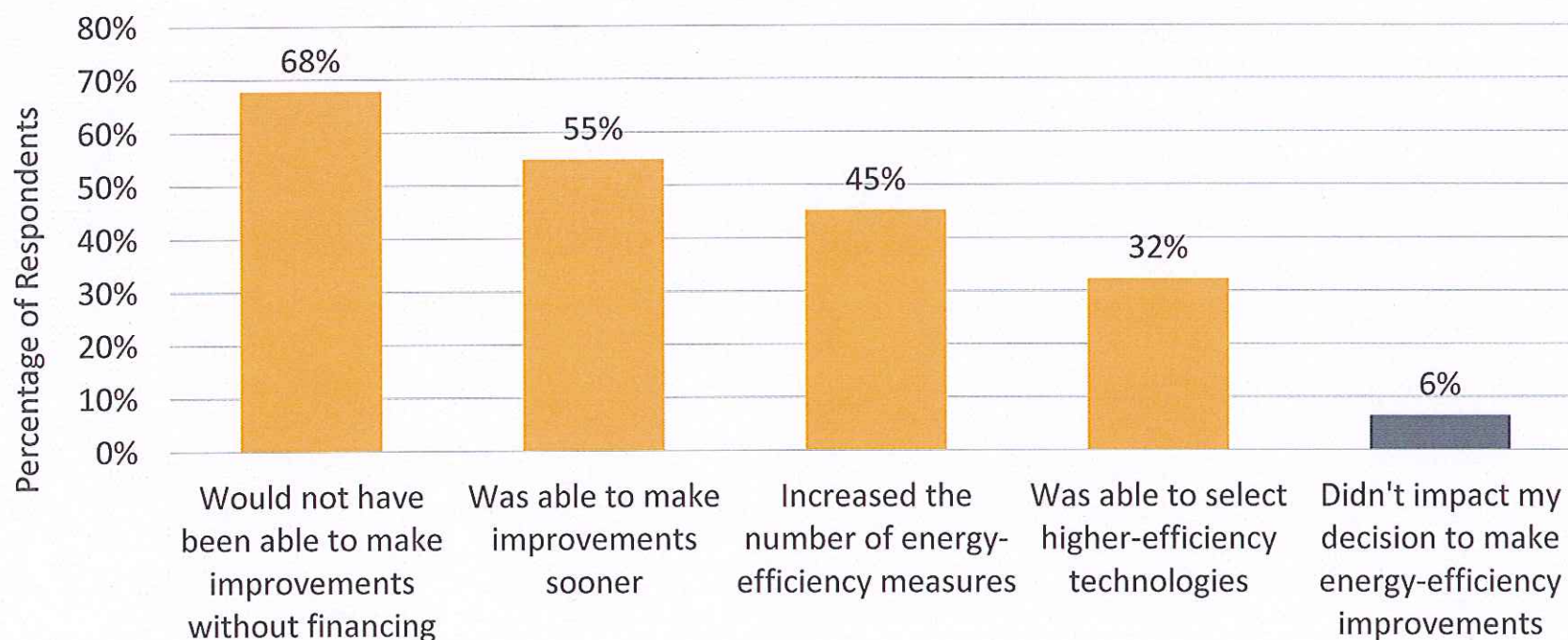
Shared with permission from the Holland BPW and DTE Energy



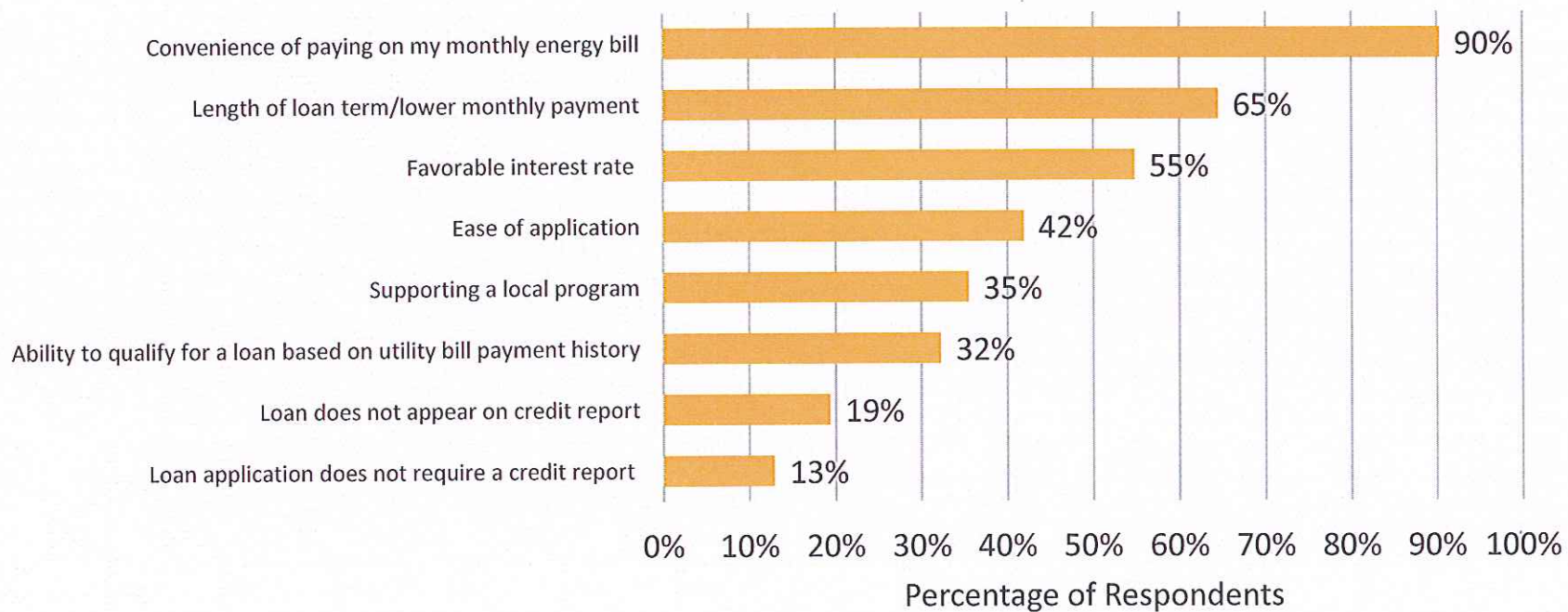
Energy-efficiency Investment Decision Making



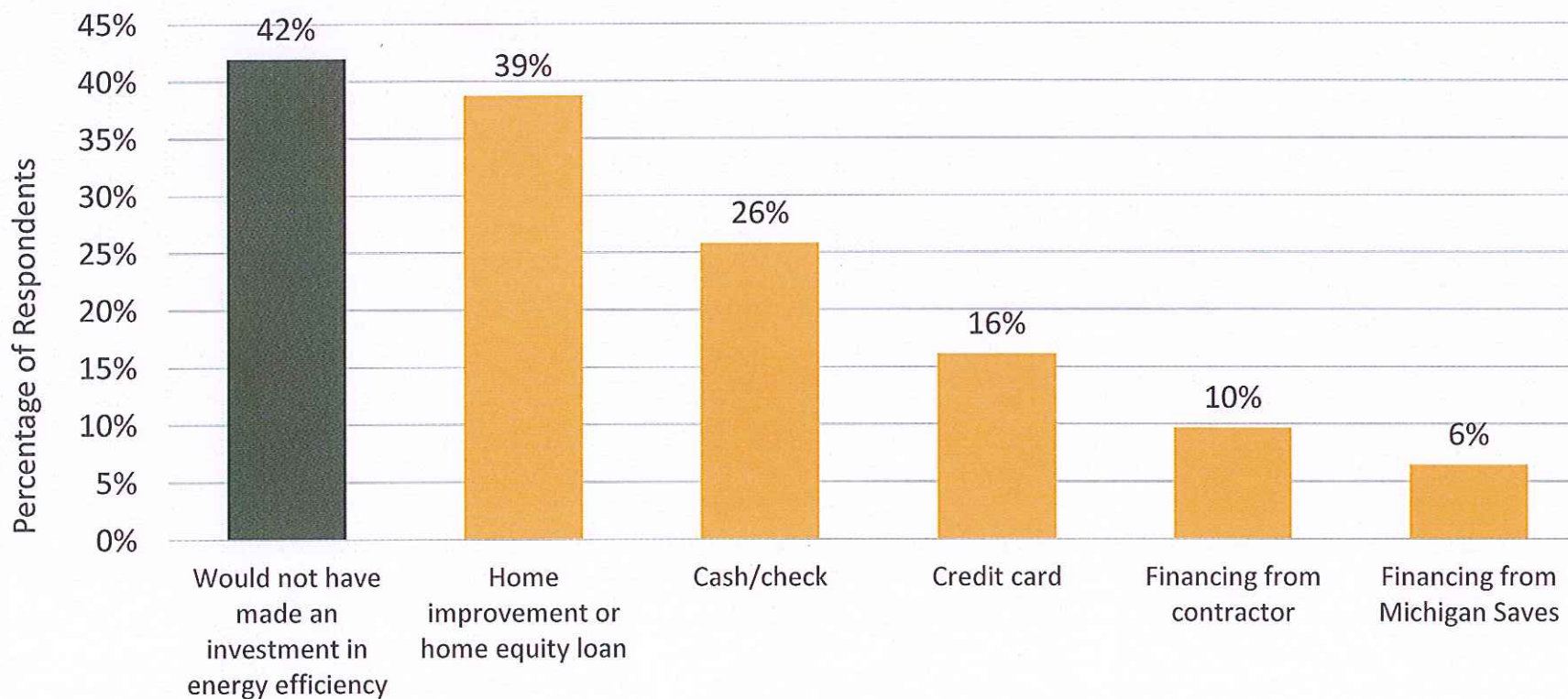
Impact of Financing Availability



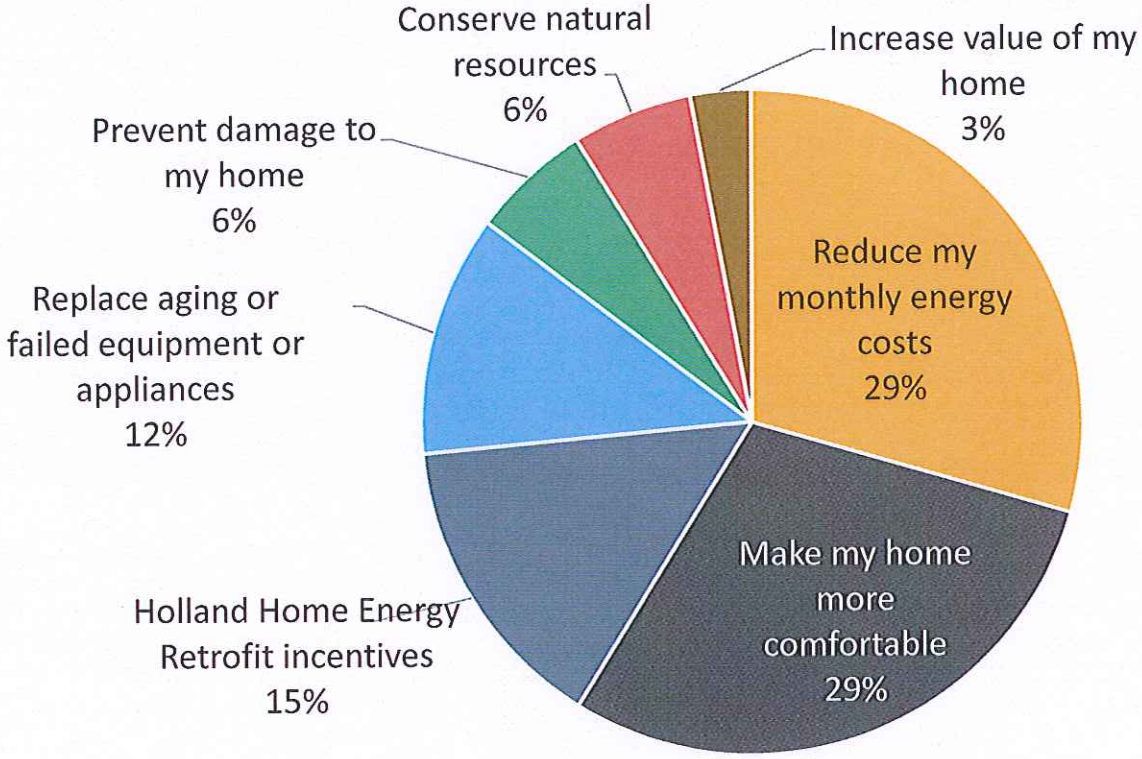
Reason for Choosing the OBLP



Alternative Modes for Funding Energy-efficiency Improvements



Top Reason for Making Energy-efficiency Improvements

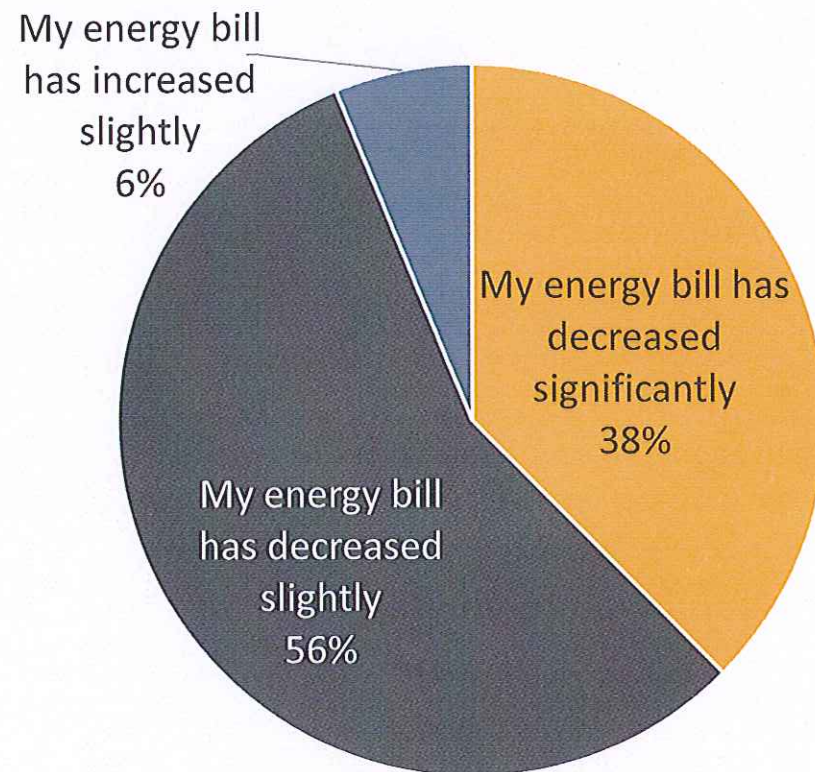


Program Experience



Change in Energy Bill

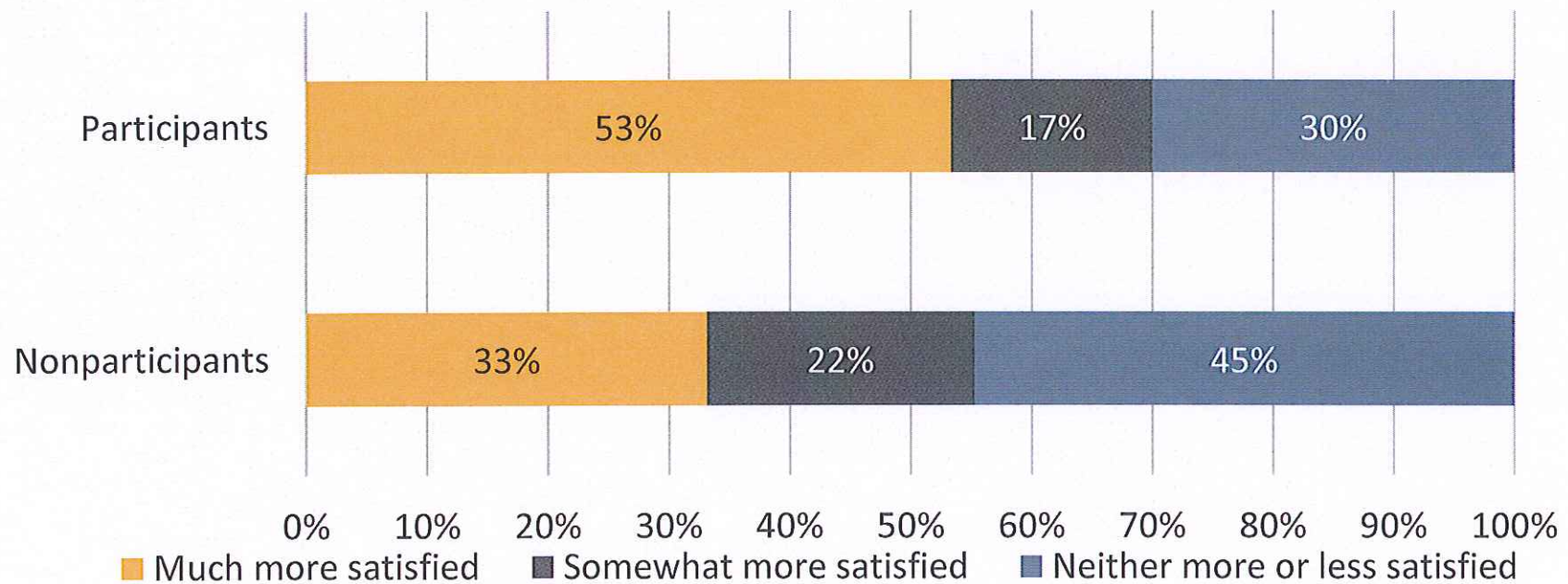
- Nearly half of the survey respondents who made energy-efficiency upgrades saw a change in their energy bill



Program and Utility Satisfaction



Impact on Utility Satisfaction



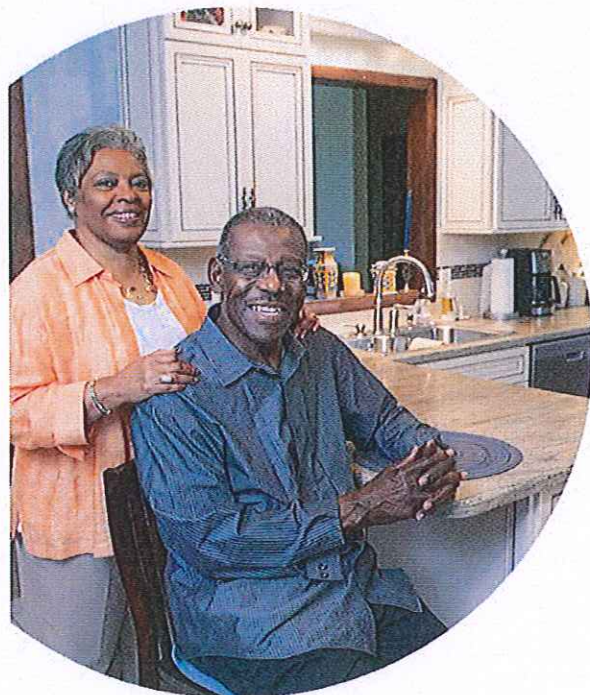
Conclusions

- The early stages of the program participation process are difficult for some customers to navigate, which results in program dropout.
- Financing is essential for enabling project progress.
- The importance and convenience of repaying the loan on the utility bill is unclear, but participants are clearly interested in seeing energy savings in relationship to their investment.
- By expanding the pool of qualified contractors, it would create benefits for future participants.
- Offering on-bill financing has a positive impact on customers' satisfaction with their utility provider.

What's Next?

After conducting several workshops and workgroup sessions, Michigan Saves is working with partners to offer a program for utilities that:

- Creates economies of scale
- Lowers administrative costs
- Makes implementation easier for each utility
- Centralizes financing expertise
- Offers consistency in program design



The Michigan Municipal Electric Association supports Michigan Saves on-bill programs by conducting outreach, educating members, and providing opportunities to showcase success

Thank You!

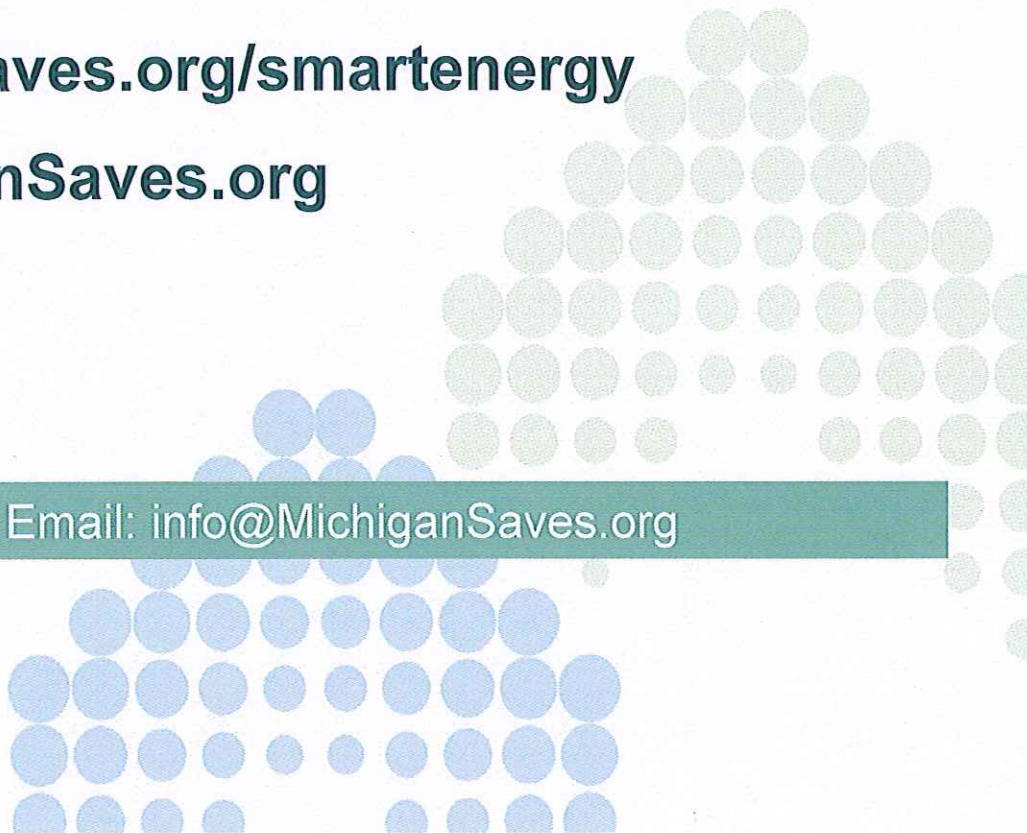
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**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Tim Arends, Executive Director
Date: February 4, 2019
Subject: Airport Renewable Energy Project

Staff was invited to participate in a kick off meeting with Cherry Capital Airport and their consultant C&S Companies on Cherry Capital's energy assessment and renewable energy roadmap.

The purpose of the overall meeting was to explore renewable energy options for the airport to reduce their overall energy cost while taking into consideration the renewable energy goals of the City of Traverse City and Traverse City Light and Power with the possibility of creating a future partnership between the entities.

Several different options were explored as to the types of renewable energy including battery storage that would be practical along with possible constraints imposed by the Federal Aviation Administration ("FAA") or other grantors, airport operations, future capital plans and the utility's peak demand.

After this initial kick off meeting, C&S Companies plans to continue with data collection while requesting from the Airport Commission approval of the next level scope of work at the end of January.

A detailed meeting summary is included in the board packet for your review.

**TVC ENERGY ASSESSMENT AND
RENEWABLE ENERGY ROADMAP**



KICK-OFF MEETING SUMMARY

Cherry Capital Airport (TVC)

Meeting held: January 25, 2019

Overview:

On January 25, 2019, Cherry Capital Airport (TVC) and their consultant, C&S Companies, held a kick-off meeting for the Energy Assessment and Renewable Energy Roadmap (Project). A number of stakeholders participated in the meeting and provided input and ideas. The following summarizes this discussion.

Meeting Summary

1. Introductions
 - a. C&S introduced key team members and support staff
 - b. Attendees introduced themselves and their affiliations (see attached sign-in sheets)
2. Background & Context
 - a. Kevin Klein provided background information, stating that the Airport is considering renewable energy, including solar, and in 2017 identified a renewable energy study as a potential project
 - i. Curious about co-benefits with the community
 - ii. Airport Commission interested in partnering with others
 - iii. Airport has land available; need to determine what can be used
 - iv. Need to align with Federal Aviation Administration (FAA) requirements and criteria
 - b. The City is actively seeking to become carbon neutral by 2040, while Traverse City Light & Power (TCLP), the Airport's electric utility provider, is aiming to be 40% renewable by 2025 and 100% renewable by 2040
3. Objectives – C&S provided a high-level overview of the Project objectives and scope, as shown below:

Establish Energy Baseline Using Existing, Available Data

Understand Potential Renewable Energy Technologies

- + Siting Locations, Financial Arrangements, Associated Energy and Cost Savings

Determine Preferred Scenario to Provide Reliable, Affordable, and Sustainable Energy

4. Scope of Work – The Project will be split into three phases, the first including an energy assessment and recommendations, followed by more detailed analysis of one or more preferred alternatives, and finally implementation
 - a. C&S is kicking off Phase 1, described below:
 - i. Data collection and coordination
 - ii. Energy baseline establishment using available data

- iii. Preliminary analysis of data, existing infrastructure, and potentially feasible renewable energy technologies considering airport factors
- iv. Development of high-level scenarios to identify optimal combination, e.g.:

| | Scenario 1 | Scenario 2 | Scenario 3 |
|---------------------------|---|------------|------------|
| Technology | Solar PV, Solar Thermal, Geothermal, etc. | | |
| Siting Location | Location, Area Available | | |
| Capacity & Output | Total MW, MWh Produced per Year, etc. | | |
| Costs | Capital Costs, Operations & Maintenance, Levelized Costs, etc. | | |
| Financing Structure | Airport-Owned, Developer-Owned (PPA), Land Lease, Funding, etc. | | |
| Resilience Considerations | Direct Supply to Airport vs. Grid-Tied, Battery Storage, etc. | | |
| Potential Conflicts | Existing/Future Land Use, Airport/Community Priorities, etc. | | |

- v. Interim check-in to review the scenarios
- vi. Refinement of preferred scenario
- vii. Final presentation

5. Current Trends & Example Airport Projects

- a. C&S highlighted several industry trends and example projects; in general, airports are focusing on and/or investigating the following:
 - i. Energy efficiency and tracking
 - ii. Emissions reductions and commitments
 - iii. Transition to renewables
 - iv. Energy storage and microgrids
 - v. Resilience and reliability
 - vi. Innovative implementation (power purchase agreements [PPAs], FAA funding, etc.)

- b. It was noted that TVC will have different opportunities than several of the featured, larger airports, but in some cases TVC will be at an advantage

6. Airport-Specific Factors – C&S discussed a number of airport-specific factors that will be considered in the Project, including the following:

- a. Funding constraints/grant assurances
 - i. Need to ensure that there is no revenue diversion if using federal funds
 - ii. If purchased land with FAA funding, there are very specific requirements for how that land can be used (see later land release discussion)
- b. Safety areas, critical areas, imaginary surfaces
 - i. Intended to ensure a safe aircraft operating environment and protect the safety of people on the ground
 - ii. Limits land available for solar or other development
- c. Airport control – Need to consider properties the Airport has direct control over (e.g., Costco is a ground lease so TVC would have less or no influence over installing solar on the rooftop)
- d. Aeronautical needs – Need to preserve all land currently needed for or projected to be needed for aeronautical purposes since this is a public-use airport that accepts

- federal funds
 - e. Airport compatibility – Need to ensure no conflicts with aircraft operating environment
 - f. Glint/glare – Used to be larger concern, but tools are available to prevent glare during design
 - g. Land releases & NEPA process – Will need to address depending on arrangement
 - i. Note: A land release could simply involve relinquishing certain responsibilities over a particular area to enable a long-term lease agreement
 - h. Funding and financing – May be able to pursue a PPA or federal funding
 - i. Phase 1 is being paid for with Airport revenue but hoping to receive reimbursement through the FAA
- 7. Initial Stakeholder Input and Ideas – Participants provided valuable input and feedback as recorded below:
 - a. TVC is already looking at opportunities for energy efficiency improvements
 - i. Will capture major opportunities in Assessment
 - ii. LED options identified but must comply with insurance UL requirements
 - b. Technologies to consider – Solar, wind (may offer limited potential), geothermal (potential to heat pavement or sidewalks)
 - i. College on north side of TVC implemented solar at their campus and there were no glare issues
 - ii. Geothermal could help offset natural gas use
 - c. Consider battery storage and connection to resilience
 - i. Per Julio Morales, CMS Energy has built storage projects in Western Michigan and may be able to share lessons learned
 - ii. Could potentially tie in wind
 - d. Airport and other needs – Need to confirm, but appears that Airport demand is between 1 and 2 Megawatts (MW)
 - i. Airport Commission has not set a goal for renewables; may set a tiered set of goals following Phase 1 or 2 of this Project
 - 1. Energy is currently 15% of overall budget for the Airport; reducing costs would help bring down airline fees and costs to passengers
 - ii. Need to understand what the City needs as well as the utility companies
 - 1. City's peak electric demand is 53 MW in winter and 72 MW in summer
 - iii. TCLP has 20 kilowatt (kW) cap for net metering program
 - iv. For TCLP to meet 40% goal, would need additional 20 MW of solar (or 10 MW of wind)
 - 1. Little need for wind per TCLP
 - e. Potential to partner with other entities
 - i. Airport Commission does not wish to develop or maintain a renewable energy generation system
 - ii. Consider outreach to other communities like Petoskey, Harbor Springs, Charlevoix, etc.
 - 1. The Michigan Public Power Agency (MPPA) may be able to assist

- with this
- 2. Per MPPA, would be interested if 10 to 20 MW available, and potentially 5 MW depending on economics
- f. Need to understand space available
 - i. Limited other uses for this land due to FAA safety requirements and design standards
 - 1. Kevin Klein presented some preliminary options, which will be vetted by C&S
 - 2. FAA safety areas and imaginary surfaces will impact availability
 - a. May be able to work with FAA on certain locations like within the Runway Protection Zone (RPZ)
 - b. Areas will have different levels of potential; C&S will develop a graphic to relay information
 - ii. Focus on land already or planned to be cleared
 - iii. Consider environmental constraints, e.g., wetlands
 - iv. Factor in operational concerns, e.g., accessing and maintaining system
 - v. Primary runway is 10/28; 18/36 has smaller surfaces (i.e., space that cannot be impacted surrounding the runways) due to the lack of a precision approach procedure
 - vi. Consider solar atop covered parking
 - 1. Customers want covered parking, as do the car rental companies
 - 2. Need for additional parking
 - 3. May look at a parking deck
 - 4. Consider for canopy expansion in front of terminal to entirely cover entrance road
 - a. Potential to use FAA funding for the project; could incorporate solar
 - vii. Airport planning to expand terminal and apron area
 - viii. Potential to engage tenants and implement renewables on/at their facilities
- g. Need to consider geographic location
 - i. Per TCLP, demand is greatest in the summer so solar is beneficial
- h. Look at life cycle; how long is too long of a return on investment (ROI) for planning purposes?
 - i. Current Airport operating agreement with the City extends to 2040
 - ii. Governance Advisory Committee established to develop a roadmap by early summer; will look at different ownership options for the Airport
- i. Funding programs are available
 - i. In addition to FAA funding, there are USDA grants for renewable energy
- j. Airport is also looking at electric vehicles
 - i. C&S noted that there is FAA set-aside funding available (Zero Emissions Vehicle and Infrastructure [ZEV] Program)
 - 1. Need to consider this in determining future energy needs
 - ii. Potential partnerships with rental car companies?

8. Next Steps

- a. C&S will continue with data collection and analysis
 - i. Will likely reach out to several stakeholders for additional input and information
- b. Scope of Work is subject to Commission approval on 1/29/18
- c. Scope includes nine to 12 months for completion of Phase 1, but may be able to complete within seven months
- d. Implementation (Phase 2 or 3) would require bidding process
 - i. FAA has template contracts in their Solar guidance

Strategic Planning

Business Goals Presentation 2019



**TRAVERSE CITY
LIGHT & POWER**

Investing Our Energy In You

Financial Stability

Business Goals

- ❑ Develop and implement rate structures to promote financial stability while keeping in mind the impacts of federal and state regulations, increased energy efficiency and distributed generation.
(Karla Myers-Beman)



TRAVERSE CITY
LIGHT & POWER

Investing Our Energy In You

Enhancing Operational Excellence

Business Goals

- ❑ Annually review, enhance and develop system maintenance programs ensuring Average Service Availability Index (“ASAI”) remains above 99.970% (Daren Dixon)

- ❑ Continue to promote employer and employee awareness of, commitment to, and involvement with safety for employees and the public through cooperative efforts and strong leadership. (Daren Dixon)

- ❑ Deploy phase one of the FTTP project. (Scott Menhart)



TRAVERSE CITY
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Investing Our Energy In You

Enhancing Operational Excellence

Business Goals

- ❑ Continue to engage employees on issues facing the utility through communication efforts that are effective. (Kelli Schroeder)



TRAVERSE CITY
LIGHT & POWER

Investing Our Energy In You

Customer Satisfaction

Business Goals

- ❑ Enhance the utility's communications efforts and community involvement. (Kelli Schroeder)



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Power Supply Strategy

Business Goals

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



TRAVERSE CITY
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**TRAVERSE CITY
LIGHT & POWER**

To: Light & Power Board
From: Karla Myers-Beman, Controller
Date: January 31, 2019
Subject: Presentation of the Fiber Fund 2019-20 Budget

Enclosed is the Fiber Fund and related cash flow for the fiscal year end June 30, 2020.

BUDGET

Revenues have remained relatively stable from prior year budget through current year budget. Differences in that line item relates to timing differences of starting services compared to what was initially forecasted along with a few services being removed. Large increase from initial year presented is new fiber connections for the Security Camera System at each substation in the approximate amount of \$50,000 annually. The following year increase relates to fiber connection charges to Traverse City Light & Power and the City for \$46,200 each for the Automated Metering Infrastructure Project ("AMI"). Initial capital costs initially estimated for the dark fiber system to operate the AMI System was \$140,000 with actual cost coming in at approximately \$20,000 causing a decline in reimbursement revenue.

Professional services increased relating to the Fiber to the Premise Project ("FTTP") Business Plan engagement commencing during the fiscal year, with completion anticipated in the fiscal year end June 30, 2019. Pole attachment fee expense was new in the fiscal year end June 30, 2018 to reflect the actual expenses a dark fiber system would incur if it were a legally separate entity from the Electric Utility system.

This budget does not reflect any activity relating to FTTP. Once the project is in the financing and construction phase, this activity will be reflected in the balance sheet primarily through bonds/loan payable, cash and fixed assets. If a bond were to be issued, any bond issuance costs that need to be expensed in the current year as required by GASB 65 or any operating revenue/expense expected to be received or incurred, will be presented as a budget adjustment to the Board once the information is available.

CASH FLOW

The projected six-year cash flow represents inflationary increases in fiber revenue and related expenses unless projected numbers are available. One-time expenses such as the professional services related to the FTTP Business Plan are removed from future year's inflationary increases. Additionally, staff accelerated planned repayments to the Electric Fund than what has been presented in the past for the initial investments into the Fiber Fund with repayment to be completed by year 2021-22.

Traverse City Light & Power
Fiber Optics Fund
2018-19 Budgeted Revenues and Expenses

| | FY 16/17 Actual | FY 17/18 Actual | FY 18/19 Budgeted | FY 18/19 Projected | FY 19/20 Recommended |
|---|---------------------|--------------------|----------------------|-----------------------|-------------------------|
| <u>Operating revenues</u> | | | | | |
| Charges for services | \$ 279,746 | \$ 347,847 | \$ 458,000 | \$ 421,000 | \$ 448,000 |
| Other | - | 402 | - | - | - |
| Total Operating Revenues | 279,746 | 348,249 | 458,000 | 421,000 | 448,000 |
| <u>Operating expenses</u> | | | | | |
| Salaries and wages | 56,984 | 56,867 | 64,900 | 64,900 | 70,000 |
| Fringe benefits | 49,451 | 70,845 | 70,250 | 70,300 | 78,500 |
| Office & operation supplies | 1,273 | 1,421 | 2,000 | 3,000 | 2,000 |
| WIFI operations and maintenance | 30,488 | 27,646 | 32,100 | 29,000 | 27,000 |
| Hardware and software | 5,850 | 3,150 | 5,750 | 5,800 | 5,800 |
| Professional services | 24,026 | - | 44,250 | 25,000 | 10,000 |
| Legal services | 2,280 | 2,639 | 2,500 | 5,000 | 2,500 |
| City fee | 13,999 | 17,427 | 23,000 | 21,050 | 22,400 |
| Professional development | - | 932 | 2,500 | 2,500 | 2,500 |
| Insurance | 435 | 467 | 1,000 | 1,000 | 1,000 |
| Repair and maintenance | 2,999 | 12,871 | 16,000 | 5,000 | 5,000 |
| Pole attachment fees | - | 11,016 | - | 6,000 | 6,200 |
| Vehicle rental | 8,026 | 10,986 | 10,000 | 10,000 | 10,000 |
| Miscellaneous | 43 | 299 | 100 | 100 | 500 |
| Depreciation expense | 144,630 | 146,309 | 146,000 | 146,000 | 148,000 |
| Total operating expenses | 340,484 | 362,875 | 420,350 | 394,650 | 391,400 |
| Operating income (loss) | (60,738) | (14,626) | 37,650 | 26,350 | 56,600 |
| <u>Non-operating revenues (expenses)</u> | | | | | |
| Reimbursements | 33,525 | 75,465 | 177,800 | 80,000 | 34,000 |
| Interest revenue | 231 | 285 | 1,130 | 500 | 500 |
| Loss on disposal of fixed assets | (3,897) | - | - | - | - |
| Total non operating revenues | 29,859 | 75,750 | 178,930 | 80,500 | 34,500 |
| <u>Other financing transfers</u> | | | | | |
| Transfer out | (125,000) | (125,000) | (175,000) | (175,000) | (200,000) |
| Change in net position | \$ (155,879) | \$ (63,876) | \$ 41,580 | \$ (68,150) | \$ (108,900) |

| Traverse City Light & Power - Fiber Fund | | | | | | | |
|---|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Fiscal Year: | Actual 2017/18 | Actual 2018/19 | Estimate 2019/20 | Estimate 2020/21 | Estimate 2021/22 | Estimate 2022/23 | Estimate 2023/24 |
| Receipts | | | | | | | |
| Charges for services - Fiber | \$ 348,249 | \$ 421,000 | \$ 448,000 | \$ 456,960 | \$ 456,960 | \$ 456,960 | \$ 466,099 |
| Non Operating Revenues - Reimbursements | 75,465 | 80,000 | 34,000 | 40,996 | 32,540 | 32,555 | 32,571 |
| Non Operating Revenues - Interest Revenue | 285 | 500 | 500 | 510 | 520 | 520 | 531 |
| Timing of payables/receivables | 77,396 | - | - | - | - | - | - |
| Total Receipts | 501,395 | 501,500 | 482,500 | 498,466 | 490,020 | 490,035 | 499,201 |
| Payments | | | | | | | |
| Fiber Expense | 188,920 | 219,650 | 216,400 | 220,728 | 225,143 | 229,645 | 234,238 |
| WIFI Expense | 27,646 | 29,000 | 27,000 | 27,540 | 28,091 | 28,091 | 28,653 |
| Capital Investments | 30,616 | 40,000 | - | - | - | - | - |
| Transfer to Electric Fund | 125,000 | 175,000 | 200,000 | 200,000 | 208,876 | - | - |
| Total Payments | 372,182 | 463,650 | 443,400 | 448,268 | 462,109 | 257,736 | 262,891 |
| Cashflow Surplus/Deficit (-) | 129,213 | 37,850 | 39,100 | 50,198 | 27,910 | 232,299 | 236,310 |
| Opening Cash & Investments Balance | \$ 110,228 | \$ 239,441 | \$ 277,291 | \$ 316,391 | \$ 366,589 | \$ 394,499 | \$ 626,799 |
| Closing Cash & Investments Balance | \$ 239,441 | \$ 277,291 | \$ 316,391 | \$ 366,589 | \$ 394,499 | \$ 626,799 | \$ 863,109 |



To: Light and Power Board
From: Karla Myers-Beman, Controller
Date: February 5, 2019
Subject: Quarterly Financial Report

Enclosed in your packet are the second quarter financial statements for the Electric and Fiber Funds.

Electric Utility Fund

As of December 31, 2018 (50% through the fiscal year), operating revenues - sales are 49% of budgeted operating revenues.

Total operating expenses are at 50.87% of budget year-to-date, with purchase power costs at 52.18%. Other categories with higher/lower than anticipated expenditures to date are Non-purchase power expense at 78.67% relating to employees in training for Kalkaska Combustion Turbine operations and not being scheduled to assist to other departments. Public services at 33.41% and Information Systems at 41.21% due to expenses not yet incurred related to energy waste reduction program and budgeted expenses.

Net income through the second quarter is \$887,546, which is approximately \$49,805 increase over the prior year.

Cash flow statement shows approximately \$4.1M expended in capital assets, primarily for the Automated Metering Infrastructure Project, HL-22 Rebuild Project, Parsons Switch Station Project, Substation Exits Replacement Project, and internal line improvements and extensions. Ending cash and investment balance at December 31, 2018 is \$15,899,869.

Fiber Fund

Revenues in the Fiber Fund are 37.85% of budgeted operating revenues while expenses are 48.07% of budget year-to-date. A large revenue source for the Fiber Fund relating to the WIFI System is billed at the end of the year. WIFI Operations and Maintenance is at 76.32% of budget relating to Merit Network expenses incurred the first quarter relating to the WIFI system internet feed, a primary expense of this line item. The Fund has a net loss or change in net position of \$(28,714).

TRAVERSE CITY LIGHT AND POWER

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

**ELECTRIC FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

| ASSETS | | LIABILITIES AND NET POSITION | |
|---|-----------------------------|---|-----------------------------|
| Current assets | | Current liabilities | |
| Cash and cash equivalents | \$ 1,438,705 | Accounts payable | \$ 1,396,195 |
| Investments | 14,461,164 | Accrued expenses and other liabilities | 986,140 |
| Receivables | | Customer deposits | 94,865 |
| Customer, less allowances of \$320,423 | | Unearned revenue | - |
| for uncollectible accounts (Light and Power Fund) | 2,518,214 | Due to other funds | - |
| Accrued interest | 57,997 | Compensated absences | - |
| Taxes | 5,554 | Due to primary government | - |
| Other | 1,611,672 | | |
| Inventories | 1,524,525 | Total current liabilities | 2,477,200 |
| Prepaid expenses | <u>27,578</u> | | |
| Total current assets | <u>21,645,409</u> | Long-term liabilities | |
| Non-current assets | | Compensated absences | 200,046 |
| Other postemployment benefit asset | - | Net pension liability | 11,513,059 |
| Long-term advances - due from primary government | 154,219 | Net other post employment benefit liability | <u>1,975,241</u> |
| Land and land improvements | 1,086,419 | Total long term liabilities | <u>13,688,346</u> |
| Construction in progress | 6,819,555 | | |
| Capital assets being depreciated, net | <u>58,463,647</u> | Total liabilities | <u>16,165,546</u> |
| Total non-current assets | <u>66,523,840</u> | Deferred inflows | |
| Total assets | <u>88,169,249</u> | Deferred inflow - Pension | 1,243,854 |
| | | Deferred inflow - OPEB | <u>686,027</u> |
| Deferred outflows | | Total deferred inflows | <u>1,929,881</u> |
| Deferred outflow - Pension | 2,579,331 | | |
| Deferred outflow - OPEB | <u>1,005,715</u> | Net position | |
| Total deferred outflows | <u>3,585,046</u> | Invested in capital assets | 66,369,621 |
| | | Unrestricted | <u>7,289,249</u> |
| Total cash and investments | <u>\$ 15,899,869</u> | Total net position | <u>\$ 73,658,870</u> |

TRAVERSE CITY LIGHT AND POWER

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

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2018

| | Month to Month Comparison | | | Year to Year Comparison | | | Budget to Year to date Comparison | | | |
|---|---------------------------|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|---------------------|-------------------------|---------------|
| | Month to date Actual | Month to date Prior Year | Month to date Difference | Year to date Actual | Year to date Prior Year | Year to date Difference | Amended Budget | Year to date Actual | Favorable (Unfavorable) | % of budget |
| Operating revenues - sales | | | | | | | | | | |
| Residential | \$ 524,165 | \$ 632,884 | \$ (108,719) | \$ 2,962,561 | \$ 3,001,018 | \$ (38,457) | \$ 6,035,000 | \$ 2,962,561 | \$ (3,072,439) | 49.09% |
| Commercial | 1,123,409 | 1,298,782 | (175,373) | 7,292,972 | 7,509,494 | (216,522) | 14,800,000 | 7,292,972 | (7,507,028) | 49.28% |
| Industrial | 700,469 | 678,902 | 21,566 | 4,660,693 | 4,645,101 | 15,592 | 9,670,000 | 4,660,693 | (5,009,307) | 48.20% |
| Public authority | 14,790 | 11,809 | 2,981 | 173,809 | 157,093 | 16,716 | 285,000 | 173,809 | (111,191) | 60.99% |
| Green sales | 2,051 | - | 2,051 | 6,950 | - | 6,950 | - | 6,950 | 6,950 | #DIV/0! |
| Street lighting | 19,315 | 19,317 | (1) | 112,955 | 112,164 | 791 | 225,000 | 112,955 | (112,045) | 50.20% |
| Yard lights | 10,147 | 12,753 | (2,606) | 59,278 | 60,240 | (962) | 144,000 | 59,278 | (84,722) | 41.16% |
| Total operating revenues - sales | 2,394,347 | 2,654,447 | (260,101) | 15,269,218 | 15,485,110 | (215,892) | 31,159,000 | 15,269,218 | (15,889,782) | 49.00% |
| Other operating revenues | | | | | | | | | | |
| Forfeited discounts | 5,116 | 4,571 | 545 | 28,045 | 29,708 | (1,663) | 50,000 | 28,045 | (21,955) | 56.09% |
| Merchandise and jobbing | 11,878 | 41,268 | (29,390) | 110,969 | 90,167 | 20,802 | 73,500 | 110,969 | 37,469 | 150.98% |
| Sale of scrap | 25,925 | 7,553 | 18,372 | 63,381 | 49,282 | 14,099 | 50,000 | 63,381 | 13,381 | 126.76% |
| Recovery of bad debts | - | - | - | - | - | - | 200 | - | (200) | 0.00% |
| MISO income | 219,422 | 212,968 | 6,454 | 1,852,476 | 1,665,758 | 186,718 | 2,800,000 | 1,852,476 | (947,524) | 66.16% |
| Miscellaneous | 32,574 | 2,516 | 30,059 | 47,638 | 18,394 | 29,245 | 39,000 | 47,638 | 8,638 | 122.15% |
| Total other operating revenues | 294,915 | 268,876 | 26,039 | 2,102,510 | 1,853,309 | 249,201 | 3,012,700 | 2,102,510 | (910,190) | 69.79% |
| Nonoperating revenues | | | | | | | | | | |
| Rental income | 10,846 | 4,125 | 6,721 | 44,206 | 35,008 | 9,199 | 53,400 | 44,206 | (9,194) | 82.78% |
| Pole rental income | - | - | - | 17,628 | 17,169 | 459 | 81,000 | 17,628 | (63,372) | 21.76% |
| Reimbursements | 21,102 | 1,840 | 19,261 | 76,847 | 86,137 | (9,290) | 150,000 | 76,847 | (73,153) | 51.23% |
| Interest income | 19,099 | 176 | 18,923 | 125,587 | 91,368 | 34,219 | 250,000 | 125,587 | (124,413) | 50.23% |
| Gain/loss on sale of assets | - | - | - | - | 355 | (355) | 5,000 | - | (5,000) | 0.00% |
| Total nonoperating revenues | 51,046 | 6,141 | 44,905 | 264,268 | 230,036 | 34,232 | 539,400 | 264,268 | (275,132) | 48.99% |
| Total revenues | 2,740,308 | 2,929,464 | (189,156) | 17,635,996 | 17,568,455 | 67,542 | 34,711,100 | 17,635,996 | (17,075,104) | 50.81% |
| Purchase Power Expense | | | | | | | | | | |
| Non purchase power expenses | 71,723 | 26,131 | 45,591 | 197,126 | 84,624 | 112,502 | 250,575 | 197,126 | 53,449 | 78.67% |
| Capacity costs | - | 71,780 | (71,780) | 345,480 | 430,564 | (85,084) | 673,000 | 345,480 | 327,520 | 51.33% |
| MISO | 228,678 | 222,676 | 6,002 | 929,211 | 190,010 | 739,201 | 2,311,400 | 929,211 | 1,382,189 | 40.20% |
| Stoney Corners | 244,766 | 256,094 | (11,328) | 1,285,268 | 1,326,087 | (40,818) | 3,152,000 | 1,285,268 | 1,866,732 | 40.78% |
| M-72 Wind Turbine | 3,094 | 3,103 | (8) | 12,010 | 15,300 | (3,291) | 30,000 | 12,010 | 17,990 | 40.03% |
| M-72 Solar | 1,254 | 13,292 | (12,038) | 63,996 | 13,292 | 50,704 | 128,000 | 63,996 | 64,004 | 50.00% |
| Combustion Turbine | 434,341 | 269,147 | 165,193 | 2,745,718 | 2,187,248 | 558,470 | 4,541,200 | 2,745,718 | 1,795,482 | 60.46% |
| Campbell Coal Plant | 362,023 | 334,918 | 27,105 | 2,314,246 | 2,235,195 | 79,052 | 4,402,000 | 2,314,246 | 2,087,754 | 52.57% |
| Belle River Coal Plant | 195,008 | 288,658 | (93,649) | 1,197,042 | 1,852,797 | (655,755) | 1,988,000 | 1,197,042 | 790,958 | 60.21% |
| Landfill Gas | 83,258 | 84,352 | (1,094) | 486,248 | 476,769 | 9,479 | 930,000 | 486,248 | 443,752 | 52.28% |
| Bilateral contracts | 211,833 | 291,090 | (79,256) | 1,498,981 | 2,389,504 | (890,523) | 2,432,000 | 1,498,981 | 933,019 | 61.64% |
| Pegasus | - | - | - | - | - | - | 260,000 | - | 260,000 | 0.00% |
| Purchase power expenses | 1,764,256 | 1,835,109 | (70,853) | 10,878,199 | 11,116,765 | (238,565) | 20,847,600 | 10,878,199 | 9,969,401 | 52.18% |

TRaverse City Light and Power

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

ELECTRIC FUND
SCHEDULE OF REVENUES AND EXPENSES - BUDGET AND ACTUAL (UNAUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2018

| | Month to Month Comparison | | | Year to Year Comparison | | | Budget to Year to date Comparison | | | |
|--------------------------------|---------------------------|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-----------------------------------|---------------------|-------------------------|---------------|
| | Month to date Actual | Month to date Prior Year | Month to date Difference | Year to date Actual | Year to date Prior Year | Year to date Difference | Amended Budget | Year to date Actual | Favorable (Unfavorable) | % of budget |
| Distribution | \$ 400,259 | \$ 423,059 | \$ (22,799) | \$ 2,136,392 | \$ 2,106,633 | \$ 29,759 | \$ 4,319,950 | \$ 2,136,392 | \$ 2,183,558 | 49.45% |
| Transmission | 33,696 | 27,021 | 6,675 | 213,849 | 198,433 | 15,415 | 471,400 | 213,849 | 257,551 | 45.36% |
| Customer accounting | 46,205 | 44,417 | 1,787 | 267,750 | 262,575 | 5,175 | 501,000 | 267,750 | 233,250 | 53.44% |
| Public service | 37,944 | 83,298 | (45,354) | 190,218 | 233,054 | (42,837) | 569,300 | 190,218 | 379,082 | 33.41% |
| Information systems | 40,423 | - | 40,423 | 198,053 | - | 198,053 | 480,650 | 198,053 | 282,597 | 41.21% |
| General administration expense | 79,370 | 125,534 | (46,164) | 446,153 | 573,200 | (127,047) | 981,900 | 446,153 | 535,747 | 45.44% |
| Other expenses | | | | | | | | | | |
| Insurance | 5,662 | 5,494 | 168 | 33,975 | 33,903 | 72 | 87,625 | 33,975 | 53,650 | 38.77% |
| City fee | 140,000 | 125,000 | 15,000 | 869,141 | 866,026 | 3,115 | 1,712,200 | 869,141 | 843,059 | 50.76% |
| Depreciation | 219,599 | 209,250 | 10,349 | 1,317,595 | 1,255,500 | 62,095 | 2,700,000 | 1,317,595 | 1,382,405 | 48.80% |
| Total expenses | 2,839,137 | 2,904,314 | (65,177) | 16,748,450 | 16,730,713 | 17,737 | 32,922,200 | 16,748,450 | 16,173,750 | 50.87% |
| Income before special items | (98,829) | 25,150 | (123,979) | 887,546 | 837,741 | 49,805 | 1,788,900 | 887,546 | (901,354) | 0 |
| Special Item | | | | | | | | | | |
| Retirement of meters | - | - | - | - | - | - | (725,000) | - | (725,000) | #DIV/0! |
| Income before transfers | (98,829) | 25,150 | (123,979) | 887,546 | 837,741 | 49,805 | 1,063,900 | 887,546 | (176,354) | |
| Transfers in | - | - | - | - | - | - | 175,000 | - | (175,000) | #DIV/0! |
| Change in net position | \$ (98,829) | \$ 25,150 | \$ (123,979) | \$ 887,546 | \$ 837,741 | \$ 49,805 | \$ 1,238,900 | \$ 887,546 | \$ (351,354) | |

TRAVERSE CITY LIGHT AND POWER

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

ELECTRIC FUND STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED DECEMBER 31, 2018

| | |
|---|---------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 18,656,481 |
| Cash payments to employees | (1,209,556) |
| Cash payments to suppliers for goods and services | (14,528,241) |
| Cash payments of City fee | (1,296,136) |
| | <hr/> |
| Net cash provided by operating activities | 1,622,548 |
| | <hr/> |
| Cash flows from noncapital financing activities | |
| Customer deposits paid | (424) |
| Rental income received | 61,835 |
| Reimbursements received | 76,847 |
| | <hr/> |
| Net cash provided by noncapital financing activities | 138,257 |
| | <hr/> |
| Cash flows from capital and related financing activities | |
| Purchase of capital assets | (4,113,330) |
| | <hr/> |
| Cash flows from investing activities | |
| Purchase of investments | (257,624) |
| Interest and dividends | 125,587 |
| | <hr/> |
| Net cash used by investing activities | (132,037) |
| | <hr/> |
| Net decrease in cash and cash equivalents | (2,484,561) |
| Cash and cash equivalents, beginning of year | 3,923,269 |
| | <hr/> |
| Cash and cash equivalents, end of year | \$ 1,438,708 |
| | <hr/> <hr/> |

TRAVERSE CITY LIGHT AND POWER

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

**FIBER FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

| ASSETS | | LIABILITIES AND NET POSITION | |
|---------------------------------------|------------------|--|---------------------|
| Current assets | | Current liabilities | |
| Cash and cash equivalents | \$ 241,210 | Accounts payable | \$ 8,061 |
| Accounts receivable | 21,099 | Accrued expenses and other liabilities | 16,178 |
| Inventory | 11,411 | Unearned revenue | 14,815 |
| Due from other funds | - | Due to primary government | - |
| Prepaid expenses | - | | |
| Total current assets | <u>273,720</u> | Total current liabilities | <u>39,054</u> |
| | | Long term liabilities | |
| Non-current assets | | Compensated absences | <u>2,444</u> |
| Construction in progress | 3,844 | | |
| Capital assets being depreciated, net | <u>1,245,135</u> | Total liabilities | <u>41,498</u> |
| Total non-current assets | <u>1,248,979</u> | Invested in capital assets | 1,248,979 |
| | | Unrestricted | <u>232,222</u> |
| Total assets | <u>1,522,699</u> | Total net position | <u>\$ 1,481,201</u> |

TRAVERSE CITY LIGHT AND POWER

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

**FIBER FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2018**

| | <u>Amended Budget</u> | <u>Year to date Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Percentage of Budget</u> |
|--|---------------------------|--------------------------------|------------------------------------|---------------------------------|
| Operating revenues | | | | |
| Charges for services | \$ 458,000 | \$ 173,336 | \$ (284,664) | 37.85% |
| Merchandising and jobbing | - | - | - | #DIV/0! |
| Total operating revenues | <u>458,000</u> | <u>173,336</u> | <u>(284,664)</u> | <u>#DIV/0!</u> |
| Operating expenses | | | | |
| Salaries and wages | 64,900 | 32,205 | 32,695 | 49.62% |
| Fringe benefits | 70,250 | 50,622 | 19,628 | 72.06% |
| Supplies | 7,750 | 1,855 | 5,895 | 23.94% |
| Overhead expense | - | 11,484 | (11,484) | #DIV/0! |
| WiFi Operations and maintenance | 32,100 | 24,498 | 7,602 | 76.32% |
| Professional and contractual | 46,750 | 340 | 46,410 | 0.73% |
| Professional development | 2,500 | - | 2,500 | 0.00% |
| Insurance | 1,000 | 372 | 628 | 37.16% |
| Repairs and maintenance | 16,100 | 453 | 15,648 | 2.81% |
| Vehicle Rental | 10,000 | 7,068 | 2,932 | 70.68% |
| City fee | 23,000 | - | 23,000 | 0.00% |
| Depreciation | 146,000 | 73,155 | 72,845 | 50.11% |
| Total operating expenses | <u>420,350</u> | <u>202,050</u> | <u>218,300</u> | <u>48.07%</u> |
| Operating income (loss) | <u>37,650</u> | <u>(28,714)</u> | <u>(66,364)</u> | |
| Nonoperating revenues | | | | |
| Reimbursements | 177,800 | - | (177,800) | 0.00% |
| Interest income | 1,130 | - | (1,130) | 25.00% |
| Total nonoperating revenues | <u>178,930</u> | <u>-</u> | <u>(178,930)</u> | <u>0</u> |
| Income before transfers | 216,580 | (28,714) | 245,294 | |
| Transfers out | <u>(175,000)</u> | <u>-</u> | <u>(175,000)</u> | <u>#DIV/0!</u> |
| Change in net position | 41,580 | (28,714) | (70,294) | |
| Net position, beginning of year | <u>1,509,915</u> | <u>1,509,915</u> | <u>-</u> | |
| Net position, end of year | <u>\$ 1,551,495</u> | <u>\$ 1,481,201</u> | <u>\$ (70,294)</u> | |