



**Notice**  
**City Commission and**  
**Traverse City Light and Power Board**  
**Joint Study Session**

**7:00 PM**

Monday, February 10, 2014

Governmental Center, Commission Chambers, 400 Boardman Avenue

Traverse City, MI 49684

Posted and Published: 02-07-14

The meeting informational packet is available for public inspection at the Traverse Area District Library, Law Enforcement Center, City Manager's Office, and City Clerk's Office. The City of Traverse City does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. Makayla Vitous, Assistant City Manager, 400 Boardman Avenue, Traverse City, MI 49684, 922-4440-TDD: 922-4412, has been designated to coordinate compliance with the non-discrimination requirements contained in Section 35.107 of the Department of Justice regulations. Information concerning the provisions of the Americans with Disabilities Act, and the rights provided thereunder, are available from the ADA Coordinator. If you are planning to attend and you have a disability requiring any special assistance at the meeting and/or if you have any concerns, please immediately notify the ADA Coordinator.

At the request of City Manager Jered Ottenwess, City Clerk Benjamin Marentette has called this study session.

City Commission:

c/o Benjamin C. Marentette, CMC, City Clerk

(231) 922-4480

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400 Boardman Avenue

Traverse City, MI 49684

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*The mission of the Traverse City City Commission is to guide the preservation and development of the City's infrastructure, services, and planning based on extensive participation by its citizens coupled with the expertise of the city's staff. The Commission will both lead and serve Traverse City in developing a vision for sustainability and the future that is rooted in the hopes and input of its citizens and organizations, as well as cooperation from surrounding units of government.*

### **Welcome to the Joint Study Session!**

Any interested person or group may address the Commission and Traverse City Light and Power Board on any agenda item when recognized by the presiding officer or upon request of any commissioner. Also, any interested person or group may address the Commission and Traverse City Light and Power Board on any matter of City concern not on the Agenda during the agenda item designated Public comment. The comment of any member of the public or any special interest group may be limited in time. Such limitation shall not be less than five minutes unless otherwise explained by the presiding officer, subject to appeal by the Commission.

## **Agenda**

Pledge of Allegiance

Roll Call

1. Presentation of Traverse City Light and Power's Strategic Plan and general discussion regarding other Traverse City Light and Power matters. (Jered Ottenwess, Tim Arends)
2. Public comment.
3. Announcements from the City Clerk. (Benjamin Marentette)
4. Adjournment.



# Communication to the City Commission

FOR THE CITY COMMISSION MEETING OF FEBRUARY 10, 2014

DATE: FEBRUARY 7, 2014

FROM: JERED OTTENWESS, CITY MANAGER

SUBJECT: FEBRUARY 10 STUDY SESSION

This memo covers Monday evening's meeting, which is a Joint Study Session of the City Commission and Traverse City Light and Power Board.

Attached is a memo from Traverse City Light and Power Executive Director Tim Arends with background information in connection with Monday evening's Joint Study Session.

As explained by Mr. Arends, the following are key topics Mayor Michael Estes and Traverse City Light and Power Board Chairman Patrick McGuire developed for the Joint Study Session:

- TCL&P's recently-approved strategic plan (a brief Powerpoint presentation overviewing the plan will be presented Monday evening)
- Power Supply
- Energy efficiency
- Surplus TCL&P property – Coal Dock
- Attorney Opinion – TCLP activities
- Other discussion items

JJO/bcm

copy: Tim Arends, Traverse City Light and Power Board

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FOR THE LIGHT & POWER BOARD & CITY COMMISSION JOINT STUDY  
SESSION OF FEBRUARY 10, 2014



TRAVERSE CITY  
LIGHT & POWER

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**To:** Light & Power Board and City Commissioners  
**From:** Tim Arends, Executive Director   
**Date:** February 4, 2014  
**Subject:** Joint Study Session Topics Overview

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The Mayor and Board Chairman have discussed pertinent topics to be covered at the upcoming study session and agreed as follows:

- TCL&P's recently approved strategic plan
- Power Supply
- Energy efficiency
- Surplus TCL&P property – Coal Dock
- Attorney Opinion – TCL&P activities
- Other discussion items

**STRATEGIC PLANNING (packet materials included):**

At its last board meeting, the TCL&P Board approved a new strategic plan for the utility. This nearly six-month process was the most extensive planning process for the public power utility in recent memory. Board members agreed to start from a blank page and identified the most significant strategic issues facing the utility today and into the future. The process involved participation from the board, all utility staff, and residential and commercial customer focus groups. The full strategic plan is in your packet for your review; a brief power point presentation will be made for the benefit of the commission and public. The board is open to any and all feedback regarding the Plan or process.

**POWER SUPPLY (packet includes pie chart):**

TCL&P is currently under contract for approximately 50% of its energy supply from Lansing Board of Water & Light through a power purchase agreement that expires at the end of 2015. Recognizing that a decision about future power supply for the utility must be made by the end of this calendar year, the board has embarked on a thorough power supply (electric industry) education program with assistance of an independent contractor. The contractor and other key contributors have/will educate the Board on the electric operating environment, transmission, financial analysis of the Kalkaska Combustion Turbine (which TCL&P has 76% interest), the need for new generation, environmental requirements and local issues, financial – cost - revenue requirements, the generation/power supply planning process, independent vs. participation with others, and the development of goals and guidelines.

## FOR THE LIGHT & POWER BOARD & CITY COMMISSION JOINT STUDY SESSION OF FEBRUARY 10, 2014

All of this education is to bring the board to a level of making an informed decision regarding future power supply for TCL&P. A critical milestone in the process of securing future power supply is the decision to pursue local generation vs. continuing to purchase power through power purchase agreements, and relying on the transmission system to ensure reliable power for the area. The board is half of the way through this education process and would like the Commission's input on local generation as an option in securing future power supply for the utility.

### **ENERGY EFFICIENCY (packet materials included):**

In 2008, Public Act 295 required all electric utilities to achieve 10% of its generation from renewable sources by 2015; in addition, the law required that all electric utilities implement energy efficiency programs to low income, residential and commercial customers with those plans to be submitted and approved by the Michigan Public Service Commission. This calendar year, TCL&P must achieve a 1% of sales reduction in kWh's sold through energy efficiency programs. Enclosed in your packet is the historical budgeted vs. actual expense information for this significant program.

In addition to its internal efforts regarding energy efficiency programs, the board recently joined forces with the Chamber of Commerce in contributing to its commercial lending program for energy efficient projects. The utility is allowed to claim the kWh savings to comply with the law, while utilizing an established successful program without the burden of administrating the program. When/if that program ceases to operate, the funds will be returned to the City and TCL&P.

Also, TCL&P has revived the TC Saves program with the Michigan Land Use Institute and SEEDS. The City administered a grant program in recent years that earned acclaim from the State as one of its most successful programs. Residents will once again be able to improve the energy efficiency of their homes through this established program with low interest rate loans from local financial institutions.

The board has expanded its expectations of utility staff to not just administer programs to achieve the required kWh annual savings, but to implement the most cost effective programs that achieve the maximum kWh savings per dollar spent, and to focus on administering programs aimed at reducing the utility's peak demand for electricity that either reduced the peak or shifts the use to off-peak periods.

Board and staff will address any questions or concerns raised at the meeting.

### **COAL DOCK (packet materials included):**

Recently, the Discovery Center Great Lakes and Rotary Camps and Services presented a proposal to the TCL&P Board for its future use of the coal dock and coal storage area along M-22. As you know, the utility no longer has a use for this property as the power plant has been dismantled; at this time, the utility sees no future use for the property, however, it does see a value in maintaining the deep water port in the public domain.

Over the years the question has been raised as to whether the property should remain that of TCL&P or revert back to the city for its management and oversight, and/or sold at market value. As a basis for your discussion, the City purchased the property for \$215,000 in 1978; it was recently appraised at \$2.68 million. Also included in your packet is a letter from W. Peter Doren, TCL&P General Counsel, regarding potential options for the city/utility as it relates to proceeding with the proposal from Discovery Center and Rotary.

FOR THE LIGHT & POWER BOARD & CITY COMMISSION JOINT STUDY  
SESSION OF FEBRUARY 10, 2014

The TCL&P Board is interested in the City Commission's opinion on the future of the coal dock property.

**ATTORNEY OPINION – TCL&P ACTIVITIES (packet materials included):**

Another issue that has been raised for many years is whether the city commission may authorize by ordinance that TCL&P may venture into such other businesses not specifically authorized in the city's charter. It was the consensus of the Board to obtain an outside attorney opinion related to this issue - specifically the Telecommunications Ordinance and Public Wharves Ordinance. Commissioner Budros requested that this opinion be shared with the City Commission for its information. Included in your packet is a summary of conclusions. For the complete opinion please contact me.

**OTHER DISCUSSION ITEMS (verbal – no packet materials)**



**TRAVERSE CITY  
LIGHT & POWER**

Investing Our Energy In You

# **Traverse City Light & Power Strategic Plan**

Adopted: January 28, 2014



**TRAVERSE CITY  
LIGHT & POWER**

Investing Our Energy In You

### *Introduction from the Executive Director*

After successfully serving the City and surrounding areas for over 101 years, the Board of Traverse City Light & Power ("TCL&P") embarked on developing a new Strategic Plan ("Plan") that could challenge the public power utility to exceed customer expectations while meeting the ever changing challenges of the electric utility industry. Safety, high reliability, low rates, transparency, and exceptional customer service and communications are among the core values of the utility. This Plan was created with these basic core values always in mind.

The purpose of the Plan is to serve as a guiding document of the Board and utility staff and to support the vision and mission of the utility by achieving goals and objectives that enhance the value of the utility to its owners and the community it serves.

This Plan for TCL&P is the result of a very intense planning process facilitated by professional industry experts and the dedicated efforts of the Board, staff, and employees. Over the past six months, Board and staff followed the Hometown Connections, LLC recommended Strategic Planning Process as summarized below:

1. Define the utility business structure
  - a. Describe utility business including what you can or cannot do.
2. Define the utility's objectives/missions/values
  - a. Reason for being, including values and guiding principles.
3. Define customer/target markets
  - a. Discuss the utility's market segments and customer needs.
4. Perform SWOT Analysis
  - a. Define internal Strengths, Weaknesses, Opportunities and Threats.
5. Strategic Issue Identification
  - a. What do the mission, values, SWOT analysis, customer needs tell us are the most critical issues of the utility?
6. Operating strategies
  - a. Create overarching areas of focus and strategic issues facing the organization.
7. Define business goals
  - a. What do you intend to accomplish and are they specific, realistic and measurable?
8. Define action items
  - a. Specific deliverables to accomplish goals and details including cost, priority, and implementation.

In addition to the above, two focus groups were held consisting of customers from the commercial and residential segments to obtain feedback on the utility's strengths and weaknesses, and what should be the utility's main priorities.

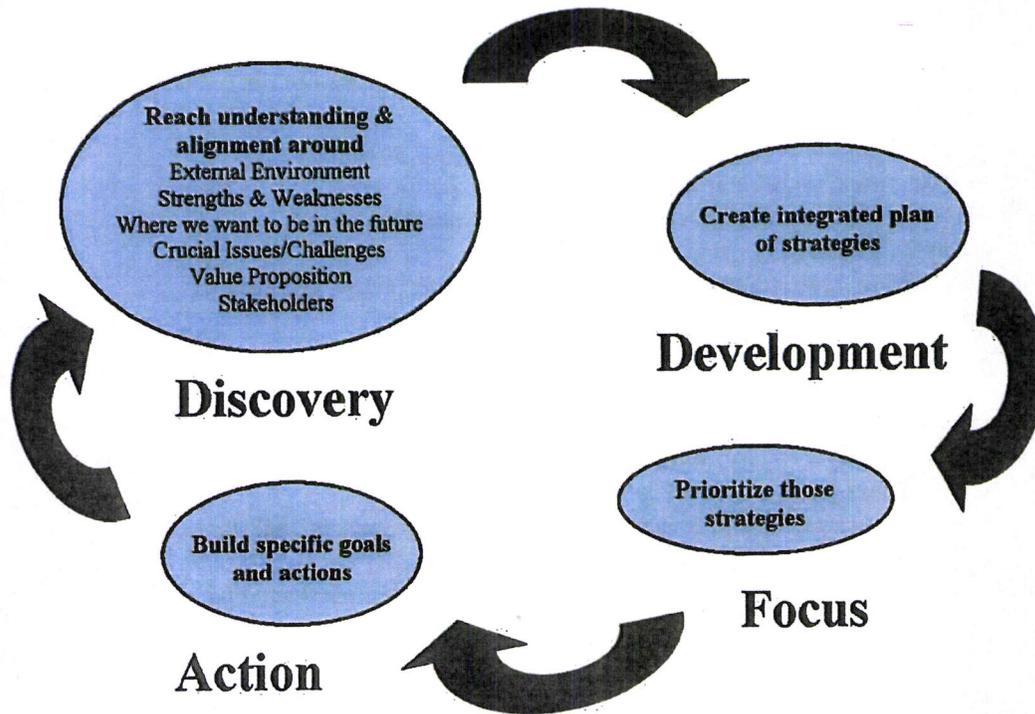
Throughout the process, as certain aspects of the Plan were achieved, staff made Board presentations to obtain their feedback and approval. This practice allowed all parties to participate to ensure a Board supported end result.

Going forward, the Plan provides a blueprint for strategic planning and goal setting into the future. Quarterly, the utility staff will report to the Board on its progress toward specific goals identified in the Plan. On an annual basis, staff and the Board will update the Plan to meet changes in the industry, economy, and to meet changes in customer needs and expectations. This annual review, as will be required in an anticipated Board policy, will enable the Plan to remain a relevant guiding document for TCL&P in this ever-changing utility industry.



Timothy J. Arends  
Executive Director

### Strategic Planning Process Diagram



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## 1. Understanding Traverse City Light & Power

### 1.1 History

In the early 1900's, as demand for electric power grew in Traverse City, competition to meet this demand grew as well. The Queen City Light & Power Company was in operation only a few short years as a direct competitor to Boardman River Electric Light and Power Company. In September 1912, the City of Traverse City purchased Queen City Light & Power for \$150,000. The purchase included sixty acres at Keystone and the property and flowage rights seven miles upstream including the Brown Bridge Dam area and pond. The new power company was known as the Traverse City Municipal Light and Power Department, known today as Traverse City Light & Power ("TCL&P") Department.

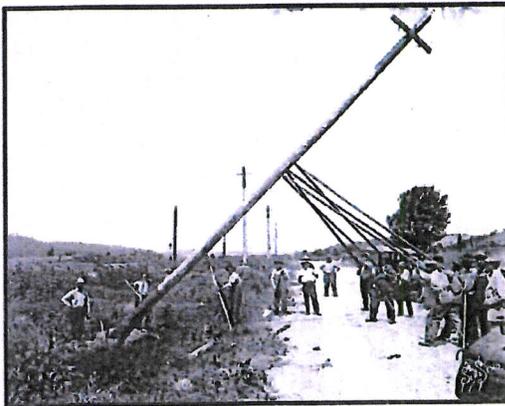
In the early days of TCL&P working conditions were challenging. Linemen camped in tents and worked with teams of horses to haul poles into place. Holes were dug by hand using picks and shovels. Linemen had to manually combat the elements, especially in winter.

Attracting new commerce to the Grand Traverse area required reliable and plentiful electric power. In 1920, the Traverse City Chamber of Commerce had to pause its efforts in pursuing new businesses because of the lack of such power. Fortunately, in 1921, the construction of Brown Bridge Dam began. Once completed in 1922, the dam produced reliable energy for TCL&P for the next 80 years.



In 1928, the first steam turbine was added to the Traverse City Waterworks building, which became the site of TCL&P's coal-fired Bayside Power Plant.

In 1937, TCL&P celebrated 25 years of supplying electricity to Traverse City. During this time, growth had continued to drive electric demand. A second steam turbine was installed in the Bayside Power Plant with an additional capacity of 1,000 kilowatts; the largest at that time and necessary to keep Traverse City growing and thriving.



In 1948, an \$850,000, five-year expansion program for the Bayside Power Plant was approved. This new capital would allow TCL&P to purchase new equipment to increase generation capacity. Throughout the late 40's and 50's, Traverse City Light & Power added new and more powerful generators, opening the way for more growth and prosperity for the Traverse City area.

Other milestones and events occurred that would further impact the delivery of electricity to Traverse City residents and businesses. In 1950, Consumers Power Company purchased all assets of the Michigan Public

Service Company. In 1961, the Keystone Dam washed out due to heavy rains and extensive flooding of the Boardman River. That dam was never rebuilt.

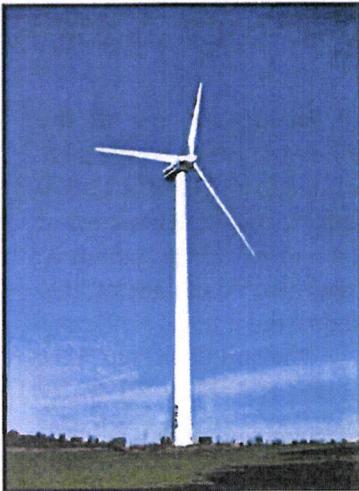
In 1964, the city explored the possibility of expanding the Bayside Power Plant at a cost of \$3.5 million. In 1965, voters approved the expansion by an over 2-to-1 margin and construction began. In 1967, the Bayside Power Plant expansion was completed. The peak of the new addition was almost 99 feet; roughly the height of the top of the historic Park Place Hotel. The height was necessary to house the overhead coal conveyor and handling system.



During the blizzard of 1977, work crews had to brave snow depths of 18 inches and more to restore power. Fortunately, because TCL&P had locally generated power, TCL&P customers had plenty of power for their consumption needs during that tough winter, while other major Midwest utilities had to ask customers to cut down on their consumption. The utility hit a lifetime peak production of 22,200 kilowatts on January 19, 1977.

In 1976, as the electric utility industry and how it operated had become more complex, the City Commission established an ad hoc committee to study the advisability of establishing a separate TCL&P Board. In January 1977 the ad hoc committee submitted its recommendation to create a two-year TCL&P Advisory Board which was approved by the voters in April 1977. In 1979 the TCL&P Advisory Board submitted a draft charter amendment to the City Commission, a public hearing was held, and the City Commission approved putting the draft charter amendment on the next ballot. After much analysis and public input, the voters approved the creation of the TCL&P Board on April 2, 1979.

In 1981, the Department of Natural Resources (“DNR”) and TCL&P began discussing the development of a Fish Management Plan for the migratory fish, primarily salmon, that ran up the Boardman River each fall. After numerous meetings and approvals of the City Commission, the Michigan DNR, the Natural Resources Committee and the TCL&P Board, the Boardman River Trap and Transfer Harvest Facility was approved. The facility, located east of Hall Street, was completed in 1987.



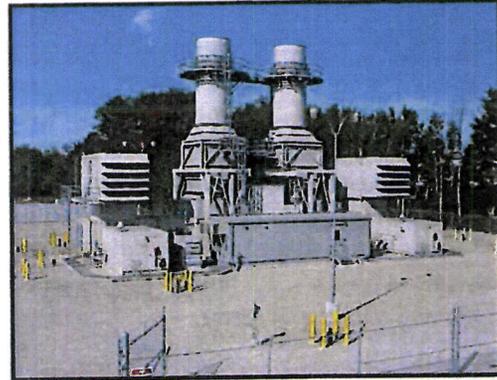
In 1988, TCL&P held its first annual tree seedling giveaway at the Bayside Power Plant in celebration of Earth Day. Seedlings were given away to customers and local community groups.

1996 was a major milestone year for TCL&P. The utility, long committed to exploring renewable energy sources, pioneered the first utility grade wind turbine in Michigan. The turbine was installed on M-72 and was, at the time of installation, the largest utility grade wind turbine in the United States.

Prior to the installation of the M-72 wind turbine, TCL&P developed the Green Rate. This rate allowed customers to voluntarily pay more on their monthly utility bill. The money collected went towards paying for the wind turbine, thereby supporting renewable energy. The

Green Rate was the first of its kind in the country and is now used as a model nationwide.

As the new millennium approached, TCL&P was on the cusp of significant changes and innovations. In 2002, Traverse City Light & Power, along with four other municipal electric utilities, participated in the Michigan Public Power Agency's natural gas-fired combustion turbine project in Kalkaska, MI. The project continues to provide reliable energy to the electric grid during peak demand times in the summer and winter months.



In 2005, the Bayside Power Plant (located in Traverse City's "Open Space" on West Grand Traverse Bay), which had been relegated to a lesser role of peak power support, was removed. Parts of the plant were sold to a Honduran company that planned to reassemble the power-generating portion of the plant in Guatemala.

In the fall of 2006, the license to generate electricity at the Boardman, Sabin and Brown Bridge dams was surrendered to FERC. The Brown Bridge Dam was removed in 2013 with plans to also remove Sabin and Boardman dams in the near future.

In response to Michigan Public Act 295 legislation, in 2009 TCL&P contracted to purchase all generation output from five, two-megawatt wind turbines located in McBain, MI. In the fall of 2010, when all five turbines were operational, TCL&P had the highest percentage of renewable generation to total generation of any utility in Michigan.

Also in 2010, stemming from TCL&P's announcement to construct a biomass generation facility, a ballot proposal was approved by voters to amend the City Charter to provide that any decision to build or acquire a power generation facility shall be subject to a referendum of city resident voters.



In 2012, Traverse City Light & Power celebrated its 100<sup>th</sup> Anniversary. TCL&P's focus remains much the same as it has over its many years of service, providing customers with safe, reliable and affordable electricity.

In March of 2012, TCL&P experienced one of the worst winter storms in the utility's history. At the peak of the storm, approximately 8,000 of TCL&P's 11,500 customers experienced outages. Due to the extent of the storm, TCL&P enacted a mutual aid agreement to request assistance from other electric utilities to help

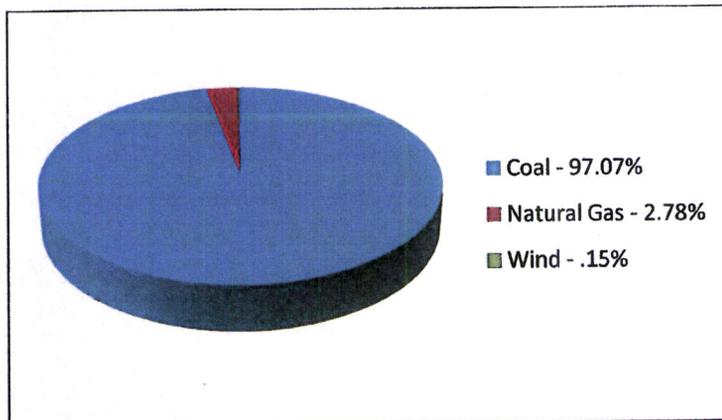
in the restoration effort. This was the first time in utility history that TCL&P requested mutual aid. Crews from Lansing Board of Water and Light, Grand Haven Board of Light & Power, Zeeland Board of Public Works, Lowell Light & Power, Trees Inc. and NG Gilbert responded and provided assistance. All TCL&P customers were restored within three days of the initial storm while some customers in the surrounding areas experienced outages for more than one week.

In the spring of 2013, TCL&P partnered with Cherryland Electric Cooperative to offer the first Community Solar Project in Michigan. The project allowed TCL&P customers to purchase a SUN Share (one solar panel) in the project and receive a monthly bill credit equal to the amount of energy produced by their share. In addition to the project being the first in the State of Michigan, it was also the first such partnership in the United States between a municipal and cooperative utility.

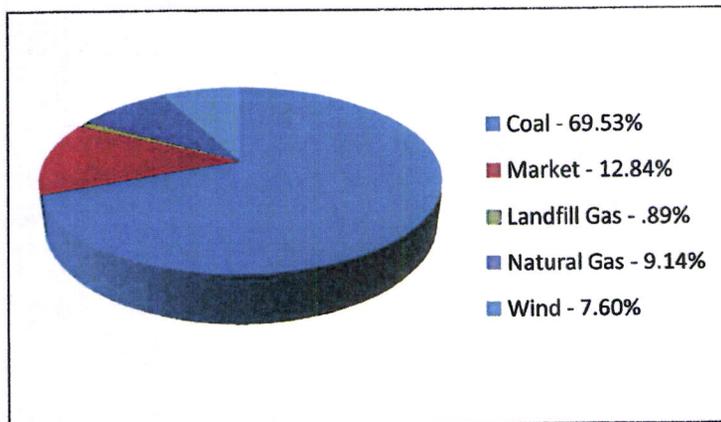


Also in 2013, after 18 years in operation, the TCL&P Board approved the decommissioning of the TCL&P wind turbine located on M-72 after a series of mechanical failures and unsuccessful attempts to repair the unit.

## 1.2 Current TCL&P Power Supply Makeup



2009 Calendar Year



2012 Calendar Year

*Generation purchased off the Market may be coal or natural gas.*

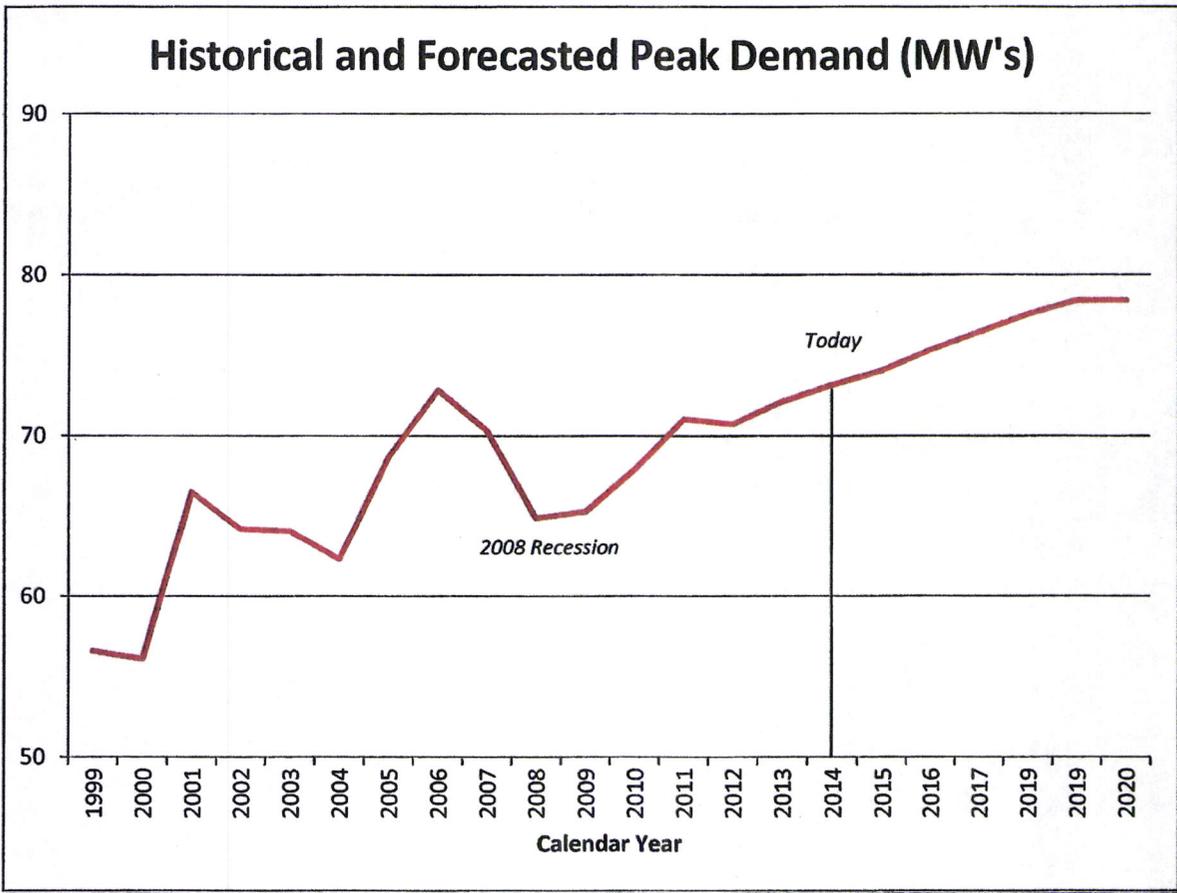
As displayed in the charts above, TCL&P's power supply has significantly changed from 2009 to 2012, primarily motivated by Public Act 295 signed into law on October 6, 2008. The Act, known as the Clean, Renewable and Efficiency Energy Act, established a Renewable Energy Standard for all utilities in the State of Michigan. This Renewable Energy Standard requires Michigan electric providers to achieve a retail supply portfolio that includes at least 10% renewable energy by 2015.

As a mechanism to meet this renewable standard, TCL&P entered into a purchase power contract with Heritage Stoney Corners Wind Farm, LLC to provide renewable capacity of up to 10 mega-watts ("MW") and all associated renewable energy credits.

Another factor affecting the utility's generation portfolio was the elimination of the Michigan Power Agency Pool in December 2010, which was replaced with a purchase power contract with Lansing Board of Water and Light ("LBWL") composed of electricity from LBWL's Eckert Coal Generating Plant. This agreement allows the minimum purchase of 10 MW of electric energy up to a maximum of 45 MW to replace TCL&P's deficient energy needs. This is a five year contract set to expire on December 31, 2015, with an automatic extension of one year.

Another separate contract was entered into with LBWL to serve as TCL&P's energy services agent for purchasing and selling deficient/excess energy in the MISO market.

TCL&P, along with other Michigan municipal utilities, is a member of the Michigan Public Power Agency ("MPPA"). The agency was formed to acquire interests in certain electric generation plants and related transmission lines to service its members. In 1983, through MPPA, TCL&P entered into a purchase power agreement for 26.35% of the energy generated by MPPA's 4.8% interest in the Campbell 3 plant; and in another agreement, 4.53 % of the energy generated by MPPA's 37.22% interest in the Belle River Plant. In 2002, TCL&P entered into a 25-year power supply contract for 75.9% of MPPA's Kalkaska Combustion Turbine project. Most recently, in 2009 TCL&P contracted for 8.13% of energy generated in MPPA's landfill gas renewable energy contract with Grainger Electric of Michigan, LLC.



This chart represents TCL&P's historical and forecasted peak demand from 1999 through 2020. Forecasted amounts in years 2014 and beyond were based on an Integrated Resource Plan prepared for TCL&P by R.W. Beck, Inc. in 2010.

### 1.3 Governance

The TCL&P Board was created in 1979 as a discrete component unit of the City of Traverse City and is referred to in the City Charter as a Department. A separate board was created to manage all aspects of the utility, with the City Commission approving its budget.

The TCL&P Board is a seven member board appointed by the City Commission, plus one non-voting ex-officio member, the City Manager. At least five of the seven members are non-commissioner members with five year alternating terms. One of the five may be a non-city resident, but must be a TCL&P customer. As part of the seven member Board, at least one member, but no more than two, must be a City Commissioner that serves a two year term.



The City Commission also approves the utility's budget, six-year capital improvements plan, and authorizes bond issues. In addition, the City Commission approves ordinance change requests, approves agreements that directly impact the City, and provides for the utility's vehicle fleet needs through the Garage Internal Service Fund.

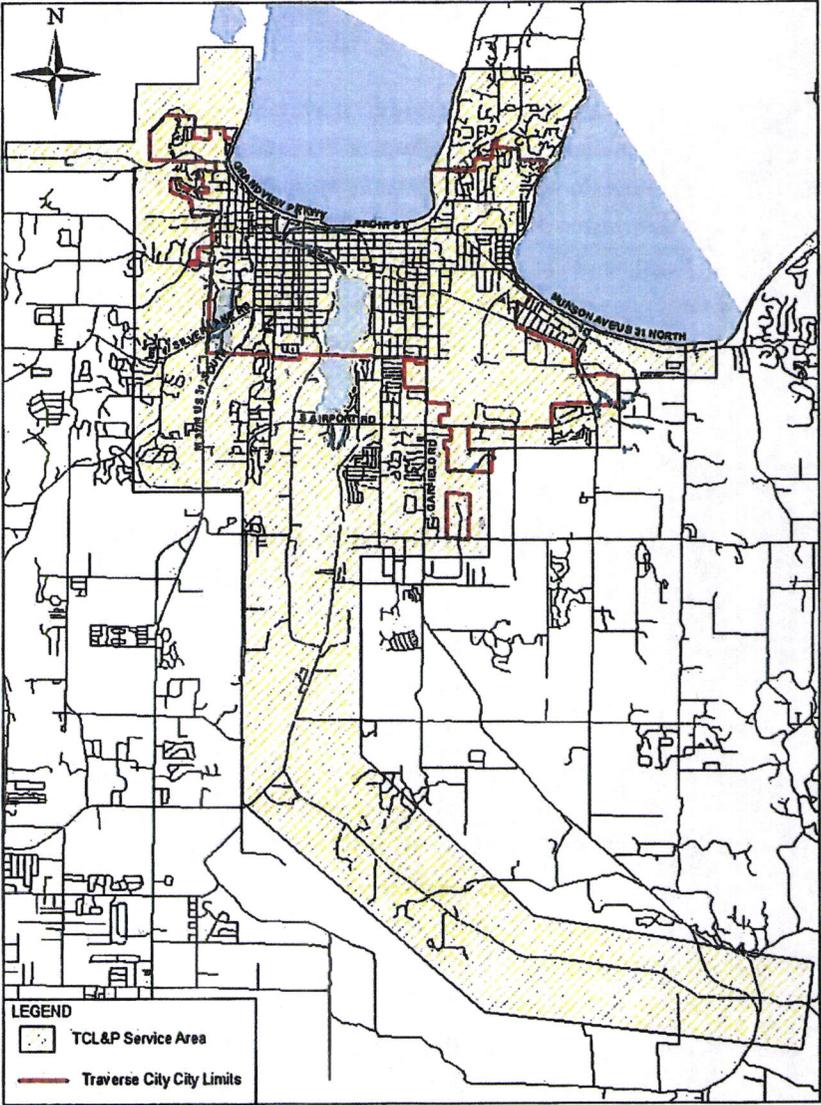
Customarily, one annual joint study session of the City Commission and the TCL&P Board takes place to discuss various current topics and the future direction of the utility.

### 1.4 Customer Base

TCL&P provides services to Traverse City and part of the outlying areas in Blair, East Bay, Elmwood, Garfield, Paradise and Peninsula Townships. Customers inside the city limits represent 77% of the utility's customer base and 72% of its revenues; customers outside the city limits represent 23% of the utility's customer base and 28% of its revenues.

As of fiscal year-end, June 30, 2013 the utility served an average of 12,193 customers and sold 324,004 mega-watt hours ("MWH") of electricity. 75% of the utility's customers are residential that provide 20% of the utility's revenues; conversely, 25% are commercial customers that provide 80% of the utility's revenues. An average residential customer uses 545 kWh per month, which equates to a monthly bill of \$52.34.

TCL&P Service Area Map

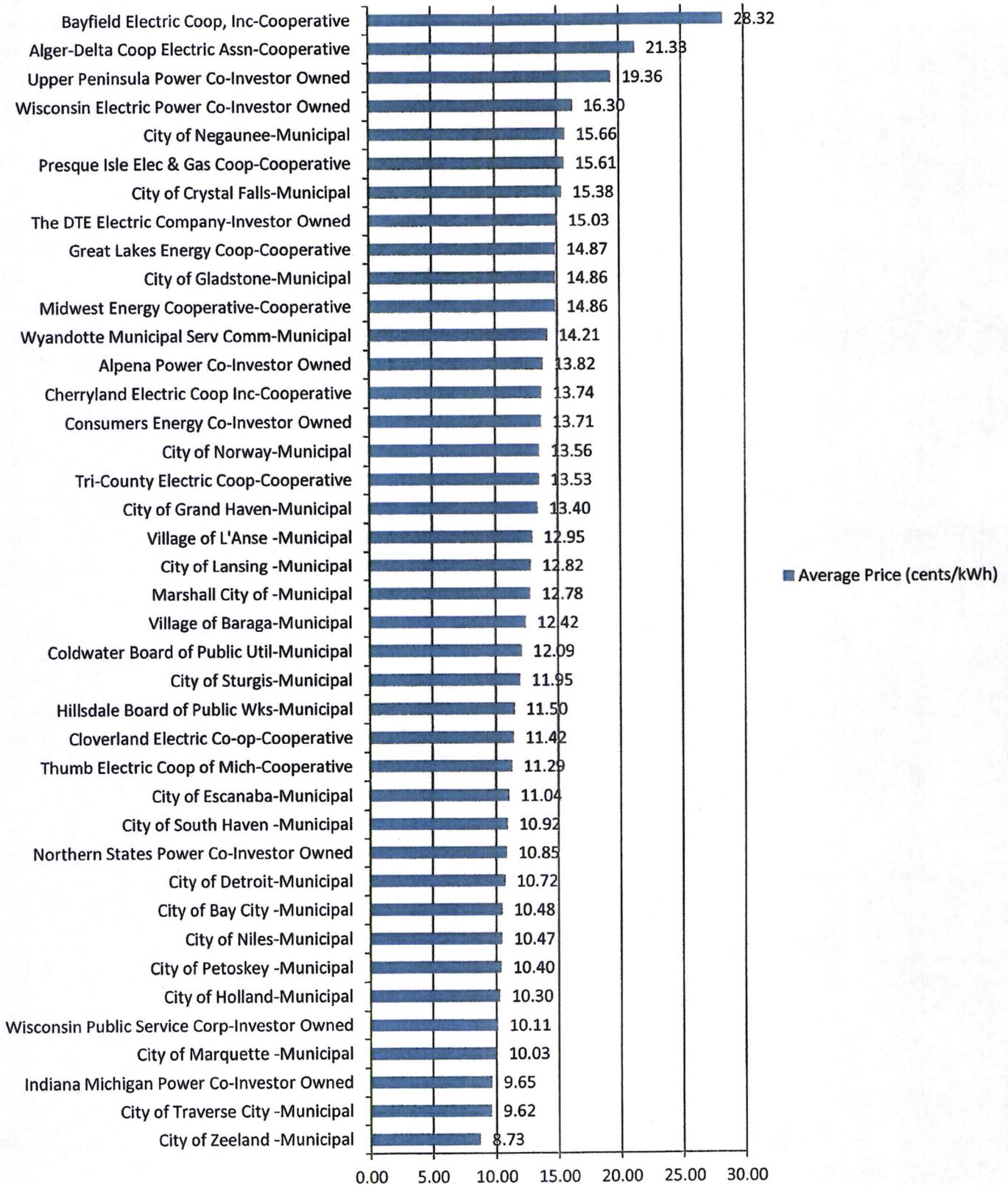


### 1.5 Rates

Of the forty utilities surveyed in 2012, TCL&P rates are the second lowest rates for residential, which are shown below. Small commercial rates are fourteenth lowest, while TCL&P's large commercial is fifth lowest in the state. TCL&P's last rate increase was in 2006; however, purchased power costs have increased over the years which has directly impacted customer billings through a Power Cost Recovery rate.

Rates are established to cover cost of services. TCL&P currently maintains an electrical infrastructure that amounts to approximately \$45M in capital investment. Investments include a wind turbine, which will be decommissioned this year, 350 miles of overhead and underground distribution circuits, 35 miles of transmission circuits, three transmission substations and four distribution substations with an additional distribution substation under construction.

## State of Michigan Average Residential Price (cents/kWh)



## 1.6 Financial Health

TCL&P has sustained financial stability over the past several years by maintaining above adequate cash reserves to cover both operating and capital expenses. The 2012-13 fiscal year was the first year in many years where the utility operated at a net loss. This was attributed to a freeze in the power cost recovery rate and a large community investment expense, which was a legacy cost to celebrate TCL&P's 100<sup>th</sup> anniversary for the Clinch Park Revitalization Project.

Below is a summary of various financial and operating ratios covering revenue per kWh to financial ratios such as operating and current ratio, along with expenses per kWh, and retail customer statistical comparisons. As a municipal utility, TCL&P is best compared to the APPA's – North Central/Plains region statistics. The only exceptions are (1) TCL&P currently has no outstanding debt and (2) the current ratio is higher for TCL&P because it includes investments as current assets in TCL&P's financial statements while other utilities do not.

<b>Traverse City Light &amp; Power</b>				APPA - North Central/Plains
<b>Report on Financial and Operating Ratios</b> (Fiscal Years Ending June 30, 2013, 2011 and 2009)				
Ratio Description	2013	2011	2009	2012 Median Values
<b>Revenue per KWH*</b>				
* All Retail Customers	\$ 0.090	\$ 0.086	\$ 0.083	\$ 0.086
* Residential Customers	\$ 0.096	\$ 0.097	\$ 0.094	\$ 0.103
* Commercial Customers	\$ 0.099	\$ 0.094	\$ 0.092	\$ 0.096
* Industrial Customers	\$ 0.076	\$ 0.070	\$ 0.068	\$ 0.076
Debt to Total Assets	N/A	N/A	N/A	0.231
Operating Ratio	1.140	1.058	0.946	0.901
Current Ratio	9.58	14.37	13.28	2.80
Net income per revenue dollar	N/A	\$ 0.050	\$ 0.156	\$ 0.040
Uncollectible accounts per revenue dollar	\$ 0.0009	\$ 0.0007	\$ 0.0017	\$ 0.0011
Retail customers per employee	305	271	286	374
Total OM expense per KWH sold	\$ 0.097	\$ 0.083	\$ 0.070	\$ 0.075
Total OM expense per retail customer	\$ 664	\$ 682	\$ 608	\$ 463
Total power supply expense per kWh sold	\$ 0.073	\$ 0.059	\$ 0.049	\$ 0.062
Purchased power cost per KWH	\$ 0.074	\$ 0.059	\$ 0.049	\$ 0.059
Retail customers per meter reader	4,740	5,951	4,732	6,368
Distribution OM expense per retail customer	\$ 295	\$ 275	\$ 226	\$ 135
Distribution expense per circuit mile	\$ 9,980	\$ 9,363	\$ 7,633	\$ 7,093
Customer accounting, service and sales expense per retail customer	\$ 44	\$ 46	\$ 47	\$ 54
Administrative and general expense per retail customer	\$ 81	\$ 111	\$ 94	\$ 155
Energy loss percentage	N/A	3.70%	N/A	3.49%

## **2. Vision and Mission Statements**

As part of the overall strategic planning process, a committee consisting of Board and staff members was convened to review the current vision and mission statements and brainstorm new options that may better reflect the utility today based on the ideals of the current Board and expectations of the utility's customers and residents. After much review and discussion, the following statements were adopted by the Board:

### **2.1 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.”***

### **2.2 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.”***

## **3. Strategic Issues**

At the beginning of the strategic planning process, the Board and staff participated in focused planning sessions to identify the top priorities of the utility now and into the future. Below is a summary of the six Strategic Issues that were identified through this process. In the following pages, each will be discussed further to show how the Strategic Issues impact the utility.

- Financial Stability
- Power Supply Strategy
- System Reliability & Power Quality
- Technology
- High Quality Workforce
- Customer Satisfaction

### 3.1 Financial Stability

Financial stability is an important strategic issue because it is the function that allows the possibility for the goals to be achieved in every other strategic issue. It is not the sole function, but one that is necessary. Additionally, with management being financially responsible and transparent of its operations, it ensures the public's trust to continue with the strategic plan goals set forth by management and approved by the Board. The areas focused on for this strategic issue include:

- Provide transparent communications on the financial health of the organization.
- Maintain the public's trust by being accountable at all levels of management.

The Operating Strategy for Financial Stability is to:

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

Four main Business Goals were identified to sustain and improve TCL&P's Financial Stability:

- 1. Develop an improved Key Accounts Program by September 1, 2014.**  
It is important that TCL&P supports an environment for economic development for its industrial/large commercial customers as they are an important factor in keeping the local economy productivity at a level to provide jobs and benefits for the citizens that reside in the community.
- 2. Provide transparent communications on the financial health of the organization to customers through an annual report by March 31, 2015.**  
Metrics will be developed to measure how the utility is operating compared to prior years. These metrics will be composed of ratios that are suggested by the utility's collaborating agencies such as American Public Power Association and Michigan Municipal Electric Association along with others utilized by municipal public power agencies. Current and historical data will be provided in an annually published report for the Board and public. Additionally, a dashboard will be developed for TCL&P's website that is similar to Governor Snyder's dashboard requirement set forth for local municipalities. Creating both of these methods of communication will provide the Board and customers information to evaluate the operations of their public power utility.
- 3. Enhance public engagement through quarterly performance reporting to the Board and public (on-going).**  
Providing the Board with easy to understand quarterly financial statements and Capital Plan and Strategic Plan progress reports will allow for educated and well informed decision making that will positively impact the future of the Utility.

### 3.2 Power Supply Strategy

Power Supply Strategy is an important strategic issue because it represents 75% of TCL&P's operating costs and impacts Traverse City's local economy through the utility's rate structure. With industry experts providing knowledge to the Board and staff through planned education sessions, the utility is able to make knowledgeable decisions regarding TCL&P's power supply future. Having a diverse portfolio and implementing state and Board requirements, including energy efficiency and renewable energy, allows the utility to be in regulatory compliance while not at major risk with only one fuel source. The areas focused on for this strategic issue include:

- Educate the Board and public in power supply.
- Come to a decision on power generation (ownership/local).
- Determine Board and customer risk tolerance regarding various energy options.
- Manage load growth through energy efficiency programs.

The Operating Strategy for Power Supply Strategy is to:

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

Four main Business Goals were identified to sustain and improve TCL&P's Power Supply Strategy:

**1. Educate the Board in power supply by July 1, 2014.**

An industry expert has been contracted by TCL&P to arrange for various presentations, which began in late 2013, to be conducted at board meetings. These presentations will include what type of generation sources are available (coal, natural gas, wind, solar, nuclear, biomass) as well as the advantages and disadvantages of each.

**2. Evaluate power supply options to replace the Lansing Agreement by December 31, 2014.**

It is crucial that staff has a firm understanding of the opinions and views of the TCL&P Board, City Commission, customers and community interest groups on such topics as local generation versus purchasing power from downstate, as well as the trade-offs of differing power supply options. Discussions may take place with the public by late 2014; depending on the direction of future power supply from the Board.

**3. Develop a tool/matrix based on Board input measuring the utility's risk tolerances of different power supply options, including increased renewable energy requirements, by September 30, 2014.**

This tool/matrix will assist staff in evaluating and presenting different power supply options to the Board based on their known risk tolerances, such as cost and fuel type (renewable or fossil fuel). This matrix will be developed by an industry expert based on input of the Board.

4. **Create a long-term plan designed to implement programs and/or incentives that will manage load growth aimed at reducing on-peak demand by January 31, 2015. Energy efficiency programs will be implemented to achieve the maximum energy efficiency outcomes for the dollar amounts budgeted for the benefit of all ratepayers.**

As in the past, TCL&P will continue to encourage their customers to reduce their energy consumption in order to limit the growth of new energy demands. Staff will accomplish this goal by annually evaluating the utility's energy efficiency programs for cost vs. benefit, as well as implementing a new system to better measure KWh savings through energy efficiency programs semi-annually, and report those to the Board and customers.

Knowing that "*the lowest cost energy is the energy that is saved,*" TCL&P will develop a plan, with assistance of an outside consultant, to optimize its energy efficiency program offerings to directly manage load growth, therefore reducing the amount of capacity needed. With on-peak energy being some of the most expensive, TCL&P will focus efforts on offering customer programs that reduce or shift on-peak demand to off-peak.

### 3.3 System Reliability & Power Quality

System reliability is the utility's plan to maintain and improve its electrical infrastructure system which consists of:

- Three transmission substations.
- Approximately thirty-five miles of transmission lines.
- Four, soon to be five, distribution substations.
- Two hundred miles of overhead distribution lines.
- One hundred and fifty miles of underground distribution lines.
- Seven thousand poles.
- Two thousand transformers.

This plan will help the utility analyze and select system improvement projects based on a rating system of several criteria to increase the utility's reliability. TCL&P will be working closely with other city departments, utilities, and customers in order to maximize the effect of the project with joint construction efforts. The areas focused on for this strategic issue include:

- Enhance and develop new system maintenance programs.
- Define and implement system improvement strategies.
- Formalize the storm restoration plan.
- Improve communication processes with customers, other utilities and city departments.

The Operating Strategy for System Reliability is to:

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

Four main Business Goals were identified to enhance TCL&P's System Reliability & Power Quality throughout the electrical system:

1. **Annually review, enhance and develop system maintenance programs ensuring Average Service Availability Index (“ASAI”) remains above 99.970%.**

ASAI is the ratio of the total number of customer hours that service was available during a given time period to the total customer hours demanded (in 2012 it was 99.987%). In 2013, TCL&P completed a circuit rehabilitation program on circuit BW-22 where crews performed maintenance including partial rebuilds by replacing equipment, replacing wire, and adding fusing across the entire circuit. TCL&P plans to continue with this circuit rehabilitation in 2014 with circuit BW-31. TCL&P will also implement inspection programs throughout the system from poles to pad mount cabinets. This data will be used as criteria within the rating system to determine which areas are in most need of maintenance.

2. **Develop a rating system by October 31, 2014 to prioritize capital system improvements, to be updated annually.**

This system will be utilized annually in the utility's capital improvements project planning process. The system will help prioritize projects over the next six years to increase system reliability and power quality to TCL&P customers.

**3. Formalize the Storm Restoration Plan by March 31, 2014.**

In preparation for a major storm, many utilities have an action plan in place on how to respond in times of major outages. TCL&P has already started this process, which assigns employees to certain areas of responsibilities such as directing in and out-of-town crews, managing downed wires, media and customer communications, and outage mapping.

**4. Create a program for coordination of projects between TCL&P, other city departments, and other utilities by March 1, 2014.**

TCL&P will work with city departments through the City's annual capital improvements process in coordinating City and TCL&P capital projects. This coordination will create efficiencies and less inconvenience to ratepayers through the construction process. TCL&P will also work with other area utilities such as cable and telephone to coordinate projects. This is especially important when it comes to undergrounding as available right-of-way is limited in some areas. It is a priority of TCL&P to maintain communications with affected customer through neighborhood meetings, direct mailers or door hangers regarding upcoming projects.

### 3.4 Technology

Technology plays a valuable role within all strategic areas and is at the forefront of the electric utility. In recent years, technical innovation has become a leading factor in modernizing the face of the electric utility by creating efficiencies within all aspects of the business. Therefore, it is necessary to embrace technology as a strategic issue. The areas focused on for this strategic issue include:

- Ensuring security for the integrity of the utility.
- Implementing energy efficiency technologies.
- Maximizing operational efficiencies.
- Enhancing communications.
- Keeping abreast of future technology opportunities.

The Operating Strategy for Technology is to:

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

Seven main Business Goals were identified to sustain and improve TCL&P’s Technical efficiencies:

- 1. Enhance video security monitoring at TCL&P’s facilities by June 30, 2014.**  
TCL&P has contemplated the installation of video monitoring systems at several of its substations and other facilities and has identified several benefits. Remotely monitoring substation access provides increased safety benefits for the crews that need to work in these potentially hazardous locations. It also will provide enhanced security to TCL&P’s primary assets by being able to monitor the locations 24/7.
- 2. Implement a new citywide work order management system by September 30, 2014.**  
In conjunction with the City of Traverse City, TCL&P will seek the implementation of a new web-based work order management system to update or replace its current work order management system. The City had previously tried to use the current work order system with its crews, but it ultimately failed as the system was complicated and cumbersome to use. Implementing a system that crews can utilize in the field will increase efficiencies by allowing for instantaneous data access and updates. This will provide better metrics for improved future project planning and crew efficiencies.
- 3. Install and implement an Integrated Voice Response (IVR) system for outage management by December 31, 2014.**  
High telephone call volumes are not uncommon during power outages. Implementing an IVR system is a great way to prevent customers from receiving a busy signal during these periods. By bridging the IVR system with the Outage Management System (OMS) TCL&P will be able to provide efficient and accurate information to its customers through various channels regarding the status of the outage. An example would be texting customer information on an outage, or receiving an outage from a customer via text.

**4. Fully implement MilSoft Outage Management and Engineering Analysis Program by December 31, 2015.**

The MilSoft Solutions system is currently not being used to its full potential. The completion of the electric system model and system mapping information will help to provide TCL&P maximized benefits and efficiencies to the electric utility. Furthermore, completion of this valuable task will benefit the customers of TCL&P and the community.

**5. Update the utility's Supervisory Control and Data Acquisition (SCADA) System to current technology by December 31, 2015.**

TCL&P's SCADA system is ready to be updated. The most important reason for updating the SCADA system is that the platforms the new systems are designed from (SQL database and web-based deployment) are much more convertible than the existing system TCL&P has today. Integrating the current SCADA technology ensures that as system updates and advances in functionality are needed TCL&P will be able to accept those updates seamlessly.

**6. Launch an Advanced Metering Infrastructure (AMI) Pilot by June 30, 2016.**

TCL&P will be exploring the field of Advanced Metering Infrastructure to improve the level of service to its customers. This important technology is being explored by utilities across the country. AMI is a great way to enhance the conservation of electricity through the knowledge of real-time usage. TCL&P's ability to design a billing structure that revolves around a customer's time of electric use is one example of a benefit that AMI provides. Another benefit AMI provides to a utility is the information that it needs to maximize outage restoration efforts in a safe and efficient manner, and collect meter readings without dispatching crews.

**7. Safeguard the utility from cyber threats to stay current with industry standards (on-going).**

The cyber security threat environment is one that is constantly changing and evolving rapidly. The Federal Energy Regulatory Commission (FERC) and National Electric Reliability Commission (NERC) have guidelines and standards to follow for cyber threats. By following these guidelines TCL&P will maintain an electric system that is highly reliable against cyber intrusions that could affect TCL&P customers. On the business side, examples of cyber threats include data theft, denial of service attacks, website defacement and customer information disclosure or privacy breaches. On the operations side, cyber threats could target the generation and delivery of power. The greatest threat to electricity delivery is a sophisticated and coordinated cyber-physical attack on the operations side aimed at causing regional power outages. TCL&P will continue to adapt and follow guidelines provided by NERC and FERC to ensure system reliability.

### 3.5 High Quality Workforce

TCL&P recognizes the value and importance of employees who are an essential component to the successful operations of the utility. Promoting and encouraging a high quality workforce needs to continue and strengthen in order to ensure that TCL&P provides excellent service to its customers and community. The areas focused on for this strategic issue include:

- Maintain a safe work environment through collaborative efforts between management and the union.
- Foster a work environment that encourages professional development for the betterment of the organization.
- Ensure the organization's efforts attract and retain qualified candidates.
- Communication throughout the organization that will allow for transparency, accountability, trust and respect amongst management and union employees.

The Operating Strategy for High Quality Workforce is to:

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

Five main Business Goals were identified to sustain and improve the quality of TCL&P's workforce:

- 1. Maintain a safe work environment by creating a Safety Development Plan by June 30, 2014.**  
The safety of the employees, customers, and community in which TCL&P serves is the number one priority for the utility. As identified in the Hometown Efficiency Study, TCL&P has a strong commitment to safety. Collaboratively, management and union employees need to continue to improve the organization's safety culture to ensure that its operations run safely and efficiently. Therefore, a plan will be created that will provide the framework for implementing additional safety mechanisms that will allow for the utility's success in this area.
- 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).**  
Within the next five years a number of TCL&P employees will be eligible for retirement. With these retirements there will be a significant loss of institutional knowledge within the organization. In addition, technology is constantly evolving and new approaches to getting the work done are changing, both of which lead to more efficient use of resources. TCL&P will implement a formal process that encourages continuous improvement in the education and skillset of its workforce in order to capitalize on these efficiencies. This will involve identifying the needs of the organization, developing a plan, actively engaging employee participation and monitoring the effectiveness of that plan.

**3. Develop a plan by December 31, 2014 that measures the organization's efforts to attract and retain qualified candidates.**

The pool of qualified applicants that have the necessary skills and competencies needed to perform work within the electric utility industry is currently limited. TCL&P will continue to remain an employer of choice within the region to not only attract top talent, but also retain them once they are fully trained. This will require the utility to improve its recruitment efforts by increasing its presence at job fairs, colleges and technology centers, as well as community associations. Continuous monitoring of hiring trends within the industry through surveys will also be needed in order to determine if TCL&P is competitively offering what the labor market is seeking.

**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.**

As the ultimate decision maker for the utility, the TCL&P Board must be provided accurate information and remain educated in order to make informed decisions on issues that impact the customers and community. A formal plan will be developed that will detail what initial training is needed, the various on-going educational opportunities that are available, as well as the overall process that will aid in enhancing the board members knowledge of the utility and the industry.

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

As with the customers of TCL&P, the utility will continue to strive in its efforts to communicate internally with employees. Lack of good communications can lead to the spread of misinformation which results in low employee morale. An overall plan will be developed that will encompass techniques such as employee surveys, newsletters and quarterly departmental meetings that will assist in effectively communicating information throughout the organization. This will ensure the accuracy of information being shared and the expected outcome of a more empowered workforce that actively participates in the success of the utility.

### 3.6 Customer Satisfaction

Although Customer Satisfaction is affected by all of the previous Strategic Issues identified in this Plan, there are many ways for the utility to encourage, track, and modify the way services are provided to customers that will assist in striving for a high level of customer satisfaction. The areas focused on for this strategic issue include:

- Maintaining a high level of customer service.
- Improving current and developing new communication avenues with customers.
- Providing a variety of value-added programs to customers.
- Strengthening partnerships for the betterment of the community.
- Ensuring lowest rates possible while meeting customer expectations.

The Operating Strategy for Customer Satisfaction is to:

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

Five main Business Goals were identified to sustain and improve TCL&P Customer Satisfaction levels:

- 1. Maintain a customer satisfaction rating above 95%.**  
Bi-annually, TCL&P conducts a statistically significant customer survey asking customers to rate the level of service they are receiving from TCL&P, requesting feedback on services customers would like the utility to provide, and asking customers to rate their overall satisfaction with the utility. Since 2000, TCL&P has an average customer satisfaction rating of 96%; with the lowest customer satisfaction rating of 93% in 2007. The overall customer satisfaction rating is just one way to track the level of satisfaction customers have with the utility. In addition to continuing the customer survey, TCL&P will focus on training employees on effective customer service practices and implement new procedures to best serve TCL&P customers and meet their expectations.
- 2. Maintaining residential rates within the top 25<sup>th</sup> percentile of lowest rates in the state (on-going).**  
It has been communicated to staff by the board that it is important to keep rates low when compared to other utilities within the state as this is an important benefit of being a public power utility. TCL&P will measure the utility’s success in this area by completing an annual rate survey of utilities throughout the state, and by completing a cost of service study no less than every five years to be used for a rate analysis. If this goal is not achievable or financially feasible, an explanation will be provided to the board and the operations or the goal will be revised.

**3. Develop a communications strategy for residential and commercial customers by June 30, 2014.**

Successfully communicating with all customers is crucial in achieving customer satisfaction. Knowing that just one communication method does not work for all customer types, TCL&P will develop a strategy to communicate with all customers. With the increased use of Social Media, TCL&P will evaluate Social Media as a communication tool, in addition to other methods such as bill inserts, business specific newsletters, E-newsletters, and Neighborhood Association meetings.

**4. Continually analyze new and current value-added programs to meet or exceed the customer expectations of its utility.**

Providing electrical related program opportunities to customers is another way the utility can build upon overall customer satisfaction. With the electrical industry evolving, the number of new program opportunities could be endless, but evaluating which programs will be viewed as beneficial will be essential to the overall program's success. TCL&P staff will continually work to add new and evaluate current programs to make sure they are meeting the needs of the TCL&P customers.

**5. Develop an improved Key Accounts Program by September 1, 2014.**

Key Account customers represent some of the utility's largest consumers. Although all customers are important to TCL&P, this group specifically has different needs due to its level of electrical consumption and the economic development impact of the business on the greater community. Specific programs will be analyzed and implemented to assist these customers to successfully do business in TCL&P's service territory.

## **4. Conclusion**

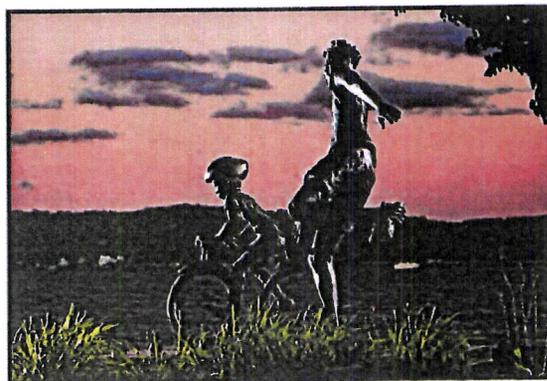
The fundamental purpose of TCL&P's strategic planning process was to identify, consider and act on the internal and external issues that are expected to have the greatest influence on TCL&P's ability to successfully achieve its vision and mission in the future. Upon board approval of the Strategic Plan, the real work will begin. Implementation!



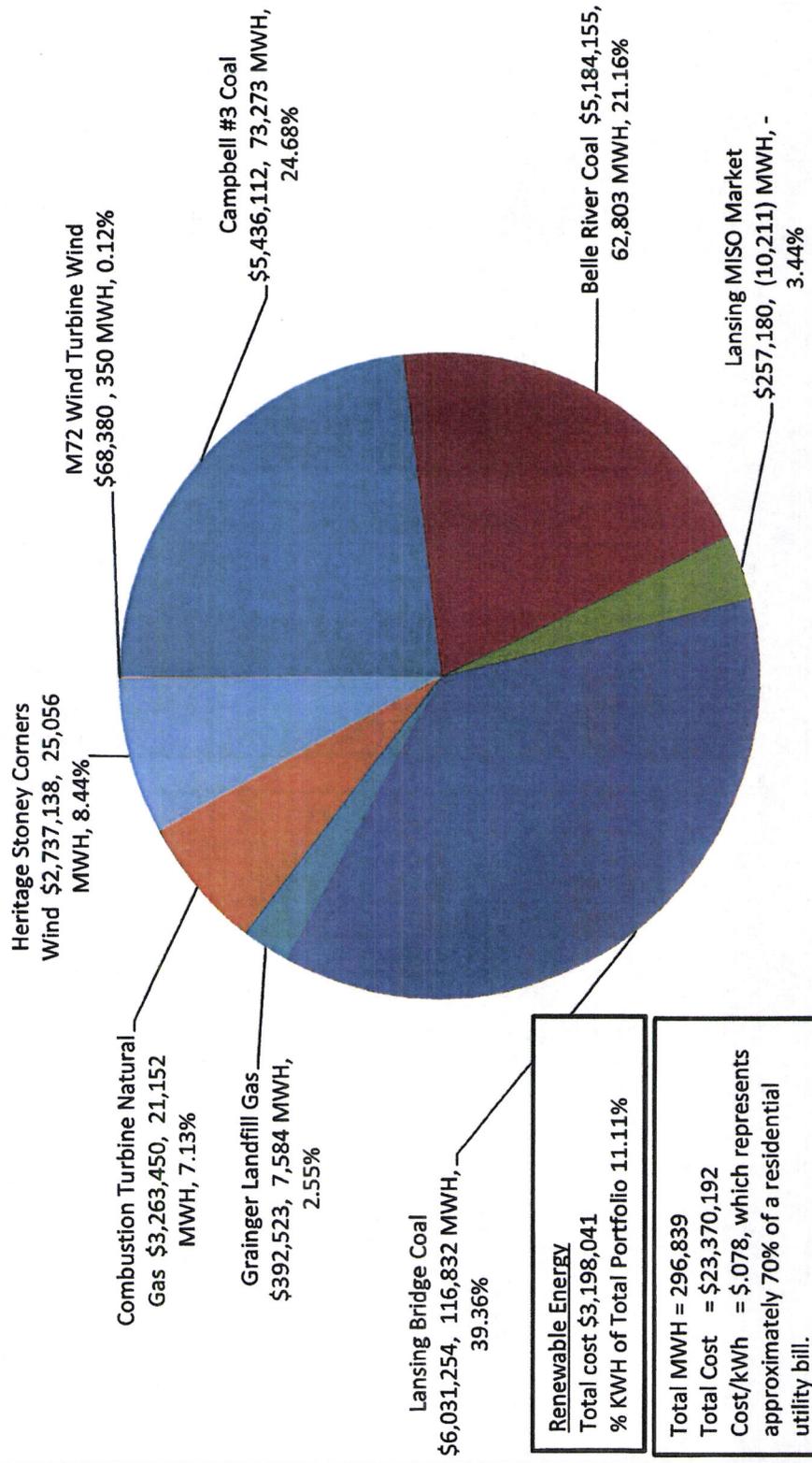
Staff will provide quarterly updates to the Board on its progress towards implementing and/or achieving the identified goals. As the utility moves forward, this Plan will be used as a guide for future strategic planning.

Annually, the Board and staff, through the budgeting process, will review and update the Plan as necessary to reflect changing Board and customer expectations of its public power utility. The utility must stay in-tune with the evolving electric industry, economic conditions, and customer expectations. The strategic issues of today including financial stability, power supply strategy, system reliability and power quality, technology, high quality workforce, and customer satisfaction may not be the strategic issues of the utility in the future. It is the intent of TCL&P staff and its Board that this Plan be modified from time-to-time to remain relevant and useful in managing the utility.

TCL&P has a very long and proud history of serving the electrical needs of the Traverse City community. The utility looks forward to implementation of this Plan for the betterment of the City of Traverse City, its residents and all TCL&P customers.



# Traverse City Light and Power 2013 Calendar Year Power Supply



**Renewable Energy**  
 Total cost \$3,198,041  
 % KWH of Total Portfolio 11.11%

Total MWH = 296,839  
 Total Cost = \$23,370,192  
 Cost/kWh = \$.078, which represents approximately 70% of a residential utility bill.

**Energy Optimization (EO) Budget vs. Actual  
2009/2010 - 2013/2014 (Fiscal year)**

Beginning in FY 2008/2009, TCL&P was required to save .25% of kWh's sales. That percentage increased every year until 2011/2012 when the utility was required to save 1% of kWh sales every year moving forward.

<b>2009/2010 (.50% of kWh sales)</b>					
		<b>BUDGET</b>		<b>ACTUAL</b>	
		<b>kWh</b>	<b>Cost</b>	<b>kWh</b>	<b>Cost</b>
<b>PA295 Compliance</b>		<b>1,148,701</b>	<b>\$ 191,000</b>	<b>1,840,143</b>	<b>\$ 231,959</b>
<b>Actual kWh Sales</b>				306,807,764	

<b>2010/2011 (.75% of kWh sales)</b>					
		<b>BUDGET</b>		<b>ACTUAL</b>	
		<b>kWh</b>	<b>Cost</b>	<b>kWh</b>	<b>Cost</b>
<b>PA295 Compliance</b>		<b>1,703,652</b>	<b>\$ 306,200</b>	<b>2,297,773</b>	<b>\$ 341,292</b>
<b>Actual kWh Sales</b>				333,868,588	

<b>2011/2012 (1% of kWh sales)</b>					
		<b>BUDGET</b>		<b>ACTUAL</b>	
		<b>kWh</b>	<b>Cost</b>	<b>kWh</b>	<b>Cost</b>
<b>PA295 Compliance</b>		<b>2,542,681</b>	<b>\$ 526,000</b>	<b>3,379,487</b>	<b>\$ 526,000</b>
<b>Additional EO</b>			<b>\$ 350,000</b>		<b>\$ 161</b>
<b>Total EO Budget</b>			<b>\$ 876,000</b>		<b>\$ 526,161</b>
<b>Actual kWh Sales</b>				322,505,581	

<b>2012/2013 (1% of kWh sales)</b>					
		<b>BUDGET</b>		<b>ACTUAL</b>	
		<b>kWh</b>	<b>Cost</b>	<b>kWh</b>	<b>Cost</b>
<b>PA295 Compliance</b>		<b>3,235,183</b>	<b>\$ 484,350</b>	<b>3,422,840</b>	<b>\$ 484,350</b>
<b>Chamber EO Loan Fund</b>			<b>\$ 100,000</b>		<b>\$ 100,000</b>
<b>Additional EO Programs</b>			<b>\$ 300,000</b>		<b>\$ 37,507</b>
<b>Total EO Budget</b>			<b>\$ 884,350</b>		<b>\$ 621,857</b>
<b>Actual kWh Sales</b>				323,521,086	

<b>2013/2014* (1% of kWh sales)</b>					
		<b>BUDGET</b>		<b>ACTUAL</b>	
		<b>kWh</b>	<b>Cost</b>	<b>kWh</b>	<b>Cost</b>
<b>PA295 Compliance</b>		<b>3,284,616</b>	<b>\$ 501,750</b>	<b>1,368,392</b>	<b>\$ 177,099</b>
<b>Chamber EO Loan Fund</b>			<b>\$ 100,000</b>		
<b>Additional EO Programs</b>			<b>\$ 300,000</b>		
<b>Total EO Budget</b>			<b>\$ 901,750</b>		<b>\$ 177,099</b>
<b>Actual kWh Sales</b>					

\* 2013/2014 data represents July 1 - December 31, 2013



TRAVERSE CITY  
LIGHT & POWER

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**To: Light & Power Board**  
**From: W. Peter Doren, General Counsel**  
**Date: December 9, 2013**  
**Subject: Coal Dock Property**

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You have received a proposal from Rotary Camps and Services and the Discovery Center – Great Lakes to grant public access to the Coal Dock and Coal Storage Facility (Coal Dock Property) and establish a community harbor and marina. The Discovery Center has asked that this be done “whether by management agreement, license, lease, or otherwise.” The Executive Director has requested that I describe some of the eventual options that the Light and Power Board and City Commission have if they wish to pursue this proposal. I have met with Lauren Tribble-Laucht, City Attorney, to discuss this.

The following options vary in the levels of retained control over development and operation of the Coal Dock. The higher the level of control, the higher the level of entanglement regarding staff time, Board time, and potential expense and liability.

Any transfer of the property by TCL&P will require a declaration of surplus status and confirmation by the City Commission of that surplus status. An outright transfer to the City of Traverse City would foreclose many of the options described because municipal electric utilities have statutory authority to make gifts; whereas, home rule cities are generally precluded from giving away assets.

1. Deed with Restrictions. The Coal Dock Property could be conveyed to a suitable entity with deed restrictions, such as prohibiting any construction which would impede the dock’s use as a deep water port. An affirmative restriction requiring its use as a deep water port under certain circumstances could also be imposed in the deed.

2. Trust. A trust could be created designating its purpose, the beneficiaries of the trust, and the trustees, or a selection process for determining trustees. The property could be conveyed to the trustees of that trust.

3. Non-Profit Corporation. The City may form a non-profit corporation for valid public purposes. MCL 117.40. These purposes would be stated in the Articles of Incorporation as could a provision regarding who appoints Board members. The Coal Dock Property could be transferred to it.

FOR THE LIGHT & POWER BOARD MEETING OF DECEMBER 10, 2013

4. Port Authority. A city and county may jointly request that the Governor authorize a port authority. MCL 120.101 et seq. The Coal Dock Property could be conveyed to it. The authority can issue revenue bonds: By contract with the authority the constituent city and county may levy property taxes for port activities.

5. Lease. TCL&P could lease the Coal Dock Property to a suitable entity. As with any landlord, there would be some moral responsibility over the acts of a tenant.

6. Management Contract. TCL&P, or the City upon transfer of the Coal Dock Property to the City, could enter into a management contract with a suitable entity. The activities managed would be limited to public wharf-type activities in the case of TCL&P and a broader category of municipal activities, including public wharves, in the case of the City. The intended use by the Discovery Center may result in the property becoming parkland under a management contract.

The options described above have only been cursorily examined by myself and Lauren Tribble-Laucht, City Attorney. Also, there may be other options that we would explore after we receive a sense of direction from the TCL&P Board and the City Commission.

Finally, there is no need to discuss these options at tonight's meeting, but feel free to do so if you wish.

c via email:

Tim Arends

Lauren-Tribble-Laucht

FOR THE LIGHT & POWER BOARD MEETING OF DECEMBER 10, 2013



TRAVERSE CITY  
LIGHT & POWER

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**To:** Light & Power Board  
**From:** Tim Arends, Executive Director  
**Date:** December 2, 2013  
**Subject:** Discovery Center Use of Coal Dock Presentation

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Handwritten initials 'TA' in a circle, likely representing Tim Arends.

Attached are details of a proposal from Discovery Center Great Lakes ("DCGL") related to their request of TCL&P to utilize the coal dock and coal dock storage area for future community public benefits.

As you will see from the timeline outlined in the details, this request of use has been discussed for many years; however, no formal decisions on the future of the coal dock have been made by TCL&P or the City.

Mr. Mike Wills of DCGL will be in attendance at your December 10<sup>th</sup> meeting to present the specifics of their proposal to the Board. While the document does call for the Board to adopt a resolution of support to further explore DCGL's request, I believe the Board has mentioned on several occasions that it would like to have general discussions with the City on the coal dock's future as a city/TCL&P asset.

Therefore, staff is suggesting that the Board direct the Executive Director to work with the City Manager in convening a joint study session in the near future between the TCL&P Board and City Commission to discuss the coal dock and specifically this concept as proposed by DCGL.

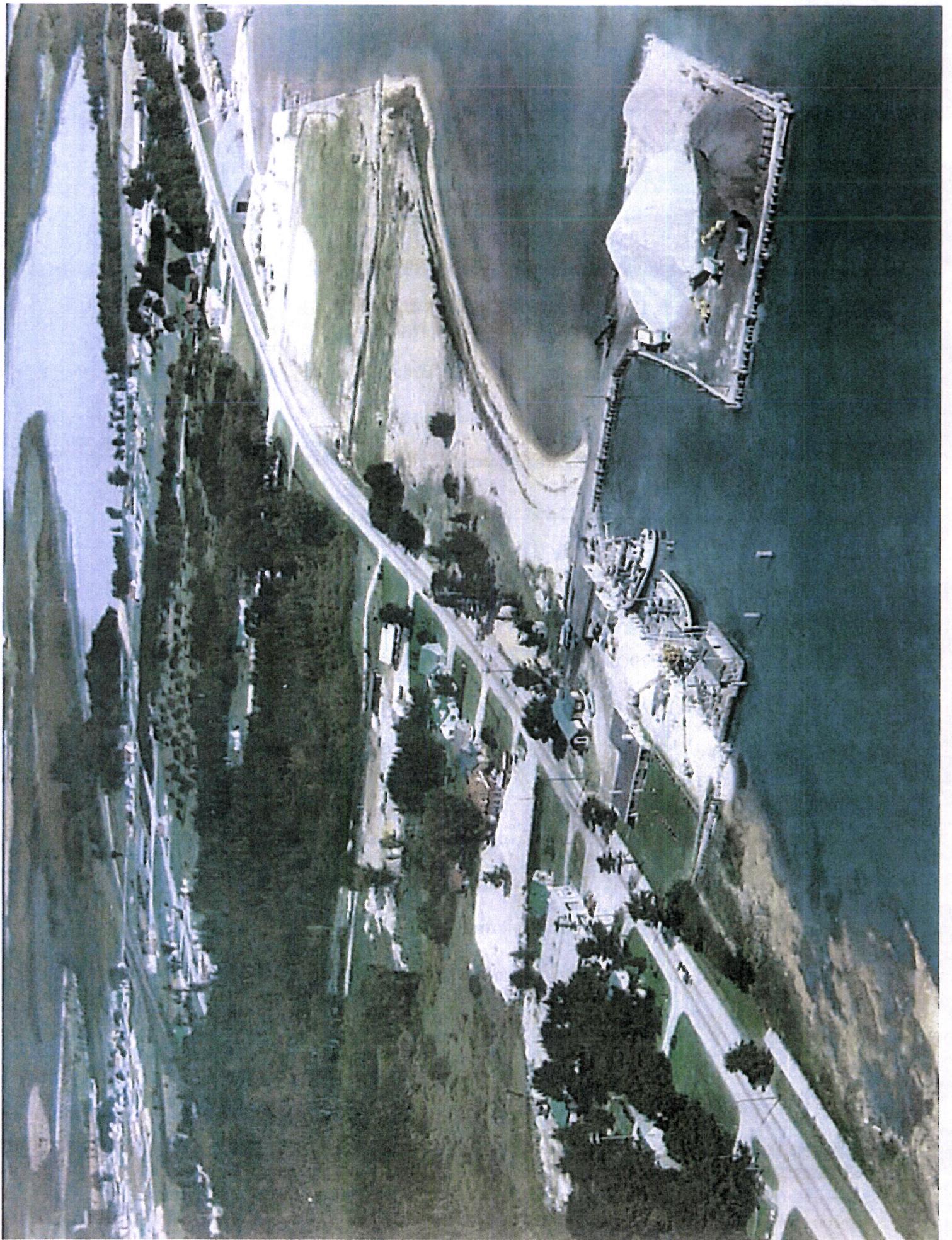
If after Board discussion you agree with staff's recommendation the following motion would be appropriate:

**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.**

*MOTION CARRIED*

SUMMARY OF SALIENT FACTS

Property Appraised:	Three parcels; two waterfront parcels zoned SC-1 Shoreline Commercial with leased bottomlands, and one parcel located on the west side of S. West Bay Shore Drive zoned C-2 Commercial. All parcels located in Section 33 of Elmwood Township of Leelanau County, Traverse City, MI.
Owner:	City of Traverse City, Light and Power Board
Present Use:	Boat mooring and dockage.
Highest and Best Use:	Mixed Use Commercial
Size:	5.79 +/- acres.
Zoning:	SC-1 Shoreline Commercial & C-2 Commercial
Property Rights Appraised:	Fee Simple plus Leasehold
<b>Reconciled Market Value:</b>	<b>\$2,825,000</b>
Effective Date of Value:	August 28, 2012
Date of Report:	September 24, 2012
Appraiser:	Glenn R. Gotshall Gotshall & Stelzer, LLC. P.O. Box 2407 Traverse City, MI 49685-2407





# OLSON BZDOK & HOWARD

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## MEMORANDUM

### **\*Confidential Attorney-Client Communication\***

**TO:** Tim Arends, Director, Traverse City Light & Power  
Board Members, Traverse City Light & Power

**FROM:** Scott Howard & Emerson Hilton, Olson, Bzdok & Howard, P.C.

**DATE:** October 22, 2013

**RE:** Validity of City Ordinances Concerning Telecommunications and Public Wharves

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#### **I. INTRODUCTION AND SUMMARY OF CONCLUSIONS**

You have asked for a legal opinion concerning the general validity of two city ordinances, Ordinance No. 1046.02 ("Telecommunication Services") and Ordinance No. 292.03 ("Public Wharves"). It is our opinion that both of these ordinances are valid and that Traverse City Light & Power ("TCLP") can lawfully engage in the activities authorized by these ordinances.

While there is no Michigan statute or case that directly answers the question, we believe that a court would likely uphold TCLP's ability to take the actions authorized in these ordinances. Our conclusion is based on the following:

- First, the City itself is authorized to undertake the activities set forth in the ordinances, and the City Commission has the authority to assign these activities to another municipal entity. Courts have construed such municipal powers broadly, and they have construed restrictions on those powers narrowly.

- Second, there is no express or implied prohibition in the Michigan Constitution, the City Charter or state law preventing TCLP from undertaking the activities assigned to it by the City Commission in the ordinances.
- Third, there are several provisions of the City Charter that contemplate expanded activities for TCLP beyond those specifically listed in Section 175 of the Charter. When the Charter is read as a whole, we believe it supports the interpretation that the enumerated general powers of TCLP are not meant to be a limitation on its activities.

It is important to note that TCLP is only able to undertake the activities listed in the ordinances because the City Commission has expressly assigned those powers and duties to TCLP. That is because TCLP has no independent constitutional or statutory powers, and is limited to those powers that may be delegated to it by the City Charter or assigned to it by the City Commission by ordinance. Therefore, there is an inherent legislative check on expanded activities beyond those listed in the Charter because those activities must be assigned by the City Commission.

Finally, while we were asked specifically to address the validity of the two City Ordinances listed above, the principles discussed in this memo can be applied more broadly to other TCLP activities. Generally, TCLP can undertake activities within the powers enumerated in the City Charter and as expressly delegated by the City Commission. A court certainly could conclude that there is a limit to the types of activities that could be undertaken by TCLP if those activities were not related to a public purpose, for example, or could not rationally be construed as utility services. It is our opinion that the activities authorized in the City ordinances we were asked to review are related to various public purposes, and that they can rationally be construed

as an extension of TCLP's utility services. However, TCLP should be aware that the less connected an activity is to a utility purpose, the more likely it could be successfully challenged.

This summary is intended to contain the key legal conclusions of this memo. For those who would like additional information, the following section is a more detailed discussion and legal analysis of how we reached the conclusions summarized above.

## II. ANALYSIS

We have divided our analysis into two parts: one for Ordinance No. 1046.02 and one for Ordinance No. 292.03. In each case, we review three potential limitations on the power of the City itself to provide telecommunication services or to engage in public wharf activities. The same three limitations apply to the power of the City, through the City Commission, to assign these powers to TCLP by ordinance. First, the exercise or assignment of such powers must not be in contravention of the state or federal constitutions.<sup>1</sup> Second, the City's exercise and delegation of certain powers must not conflict with the intent of the City Electors, as codified in the City Charter. Third, and finally, the City may not exercise authority that is contrary to state or federal law.<sup>2</sup>

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<sup>1</sup> Another potential limitation on municipal powers, not implicated here, is that many or all of the specific powers mentioned in Article 7 of the constitution are not "self-executing," and therefore cannot be exercised in the absence of enabling legislation in the form of state statute or local ordinance. See, e.g., *Hunt v Fenlon*, 313 Mich 644, 656-58 (1946); see also *City of Lansing v State of Michigan* ("*City of Lansing*"), 275 Mich App 423, 433, n 4; 737 NW 2d 818 (2007) (Const 1963, art 7, § 29 is not self-executing); *Sabaugh v City of Dearborn*, 16 Mich App 182, 184; 167 NW2d 826 (1969); 167 NW2d 826 (1969) (Const 1963, art 7, § 23 is not self-executing).

<sup>2</sup> Yet another potential limitation, largely not implicated in this case, is the regulatory authority of agencies, like the Michigan Public Service Commission, that are created by state or federal statute.