

# TRAVERSE CITY LIGHT & POWER



TRAVERSE CITY  
LIGHT & POWER  
Investing Our Energy In You

## ANNUAL REPORT

2017-2018



# Our Message

The following report to customers contains some of the highlights and results of Traverse City Light & Power for fiscal year 2017-2018. The Board and utility employees worked hard to maintain and improve on the benefits of being a public power utility for the benefit of the entire community that it serves.

Most notably for the Board was the approval of an updated Strategic Plan that will guide the utility into the future. While declaring a goal to achieve 100% renewable energy (the first utility to do so in the state of Michigan), the Board declared its continued commitment to keeping safety, high reliability, low rates and customer satisfaction as primary goals of the utility.

During the year the utility focused on updating aging substation equipment and improving distribution circuits throughout the utility's footprint. These efforts display the utility's commitment to reinvest the revenues received from customers to bolster the system in a proactive manner to better position it for the future by reducing outage occurrences and shortening outage duration times.

One of the largest projects for the utility was the deployment of an Automated Metering System which began in late spring of 2018 with completion expected in 2019. This project, in coordination with the City of Traverse City for its water meters, will vastly improve communication of information to the utility on where future efforts are required to improve the system. As well, the technology will allow the utility to implement programs that will assist customers in better management of their electrical usage and lower costs in their utility bills.

As we look forward to 2019 the utility's commitment to the customers and the community will remain the same, provide all of the benefits of a public power utility that includes safety, low rates, high reliability, exceptional customer service and, of course, local control.



**Timothy Arends**  
Executive Director



**Patrick McGuire**  
Board Chairperson

## Safety

The highlight of the 2017-2018 fiscal year was that TCL&P once again received the Reliable Public Power Provider (RP3)<sup>®</sup> Platinum designation from the American Public Power Association. The RP3 designation recognizes public power utilities that demonstrate proficiency in four key disciplines: reliability, safety, workforce development, and system improvement.

TCL&P also became Gold Shovel Standard certified which requires annual training and incident tracking for excavators and facility owners. Going forward, consideration of this certification will also become a part of the overall bidding process. Contractors were contacted to encourage their participation in this program.

Additionally, staff updated the Emergency Action Plan and created and implemented a new switching procedure in order to provide consistency and improve communication, safety, and reliability.

## Employees

TCL&P employs thirty-eight full-time employees, of which twenty-six are union and twelve are non-union. In fiscal year 2017-2018 the utility had four new hires. There was one voluntary separation and two retirements. Four employees were also recognized for their years of service ranging from five years up to twenty-five years.

## Reliability

The utility invested approximately \$187,000 in tree trimming which equates to over 100 spans of preventive clearing as well as responded to 140 customer-generated requests. A properly maintained right of way significantly reduces the length and occurrence of outages. The utility's ASAI index (total of customer hours available divided by total customer hours demanded) in 2018 was 99.990%.

This year TCL&P completed a meter exchange with Cherryland Electric Cooperative. The territory swap included approximately 100 TCL&P commercial and residential meters along the line segment from the end of Cass Road to what was Brown Bridge Dam. In exchange, TCL&P took over service for approximately the same number of meters in the Barlow Street area and along Three Mile Road near the City limits.

The utility finished replacing half of all substation exit cables along with the replacement of both Barlow Substation transformers. This improved capacity and reliability for customers in the northeast as well as the southwest parts of Traverse City and surrounding townships.

## Generation

Soon after fiscal year end the utility joined the City in setting a goal to become 100% renewable with an intermediate goal of becoming 40% renewable by 2025. A few months later the utility signed a purchase power commitment with Michigan Public Power Agency ("MPPA") for 22 MW of solar generation to increase their renewable energy portfolio to 24% by 2021. The utility continues to work closely with MPPA to ensure the utility will meet the strategic plan renewable goal of 100% by 2040.

## Financial

The utility continues to be financially healthy. In the 2017-2018 FY TCL&P provided the fifth lowest retail rates in the State of Michigan (EIA 2017 data). During the year the utility performed a cost of service study and developed a five year rate plan for the purpose of ensuring that there is sufficient revenue to maintain the utility's highly reliable electric system, to correct subsidizations between rate classes, to reflect the cost of service of each component within each rate class, and to simplify the rate structure for the ease of billing while providing rates that promote energy conservation.

The average purchase power cost in the prior fiscal year was \$65.30 per MWh and decreased to \$60.10 per MWh in the current fiscal year, equating to approximately 65% of the utility's revenues.

## Technology

Again this year, there has been significant technology projects with the expectation that this will not change as the use of technology streamlines and makes processes more effective and efficient.

Projects that commenced throughout the year included the following:

- Launched the AMI project and successfully converted all residential meters.
- Completed an RFI for the Fiber to the Premise (FTTP) project.
- Implemented a new work order system to replace the legacy system.
- Replaced the entire datacenter with upgraded hardware and software.
- Rolled out an entirely new Electric System Viewer that will increase GIS output.
- Enhanced the network to create automatic failovers for phone, internet, and system connectivity.
- Migrated to Office 365, which included the conversion of all TCL&P computers to Windows 10.
- Implemented iPads to use in conjunction with the Electric System Viewer.

## Energy Waste Reduction

This was another big year for TCL&Ps Energy Waste Reduction program. The program as a whole cut just over 3,000,000 kWh of usage in customers' homes and businesses, once again exceeding the goals set by the State of Michigan. A large majority of these upgrades were captured through lighting upgrades, but there were also a number of motors and HVAC equipment that were upgraded over the year.

The residential program was able to exceed its goal this year for the first time since the Energy Waste program was created. In addition, TCL&P was able to help the Traverse City Area Public Schools add a 20 kW solar array by providing \$25,000. The money came from a pilot and education fund that is a piece of the Energy Waste Reduction program.

Venture North also saw an increase in activity for 2018 giving out just over \$80,000 in 0% loans.

# Community Involvement



TCL&P employees decorated a digger truck for display at the annual Downtown Traverse City Light Parade.

# Balance Sheet

## Current assets

Cash and cash equivalents	\$ 4,162,710
Receivables	
Customer, less allowances of \$320,558	
for uncollectible accounts (Light and Power Fund)	3,531,033
Accrued interest	57,997
Taxes	4,923
Other	451,681
Inventories	1,586,622
Prepaid expenses	95,817
Due from other funds	553
	<u>553</u>

**Total current assets** 9,891,336

## Non-current assets

Investments	14,203,540
Accounts receivables	1,417,647
Long-term advances - due from primary government	219
Land and land improvements	1,079,419
Construction in progress	2,746,924
Capital assets being depreciated, net	61,065,833
	<u>61,065,833</u>

**Total non-current assets** 80,513,582

**Total assets** 90,404,918

## Deferred outflows

Deferred outflows of resources - Pensions	2,579,331
Deferred outflows of resources - OPEB	1,005,715
	<u>1,005,715</u>

**Total deferred outflows of resources** 3,585,046

## Current liabilities

Accounts payable	\$ 2,751,690
Accrued expenses and other liabilities	870,419
Customer deposits	95,289
Compensated absences	3,728
Unearned revenue	14,815
Due to other funds	553
Due to primary government	290,975
	<u>290,975</u>

**Total current liabilities** 4,027,469

## Long-term liabilities

Compensated absences	198,762
Net pension liability	11,513,058
Net other post employment benefit liability	2,039,555
	<u>2,039,555</u>

**Total liabilities** 17,778,844

## Deferred inflows

Deferred inflows of resources - Pensions	1,243,854
Deferred inflows of resources - OPEB	686,027
	<u>686,027</u>

**Total deferred inflows of resources** 1,929,881

## Net position

Invested in capital assets	64,892,176
Unrestricted	9,389,063
	<u>9,389,063</u>

**Total net position** \$ 74,281,239

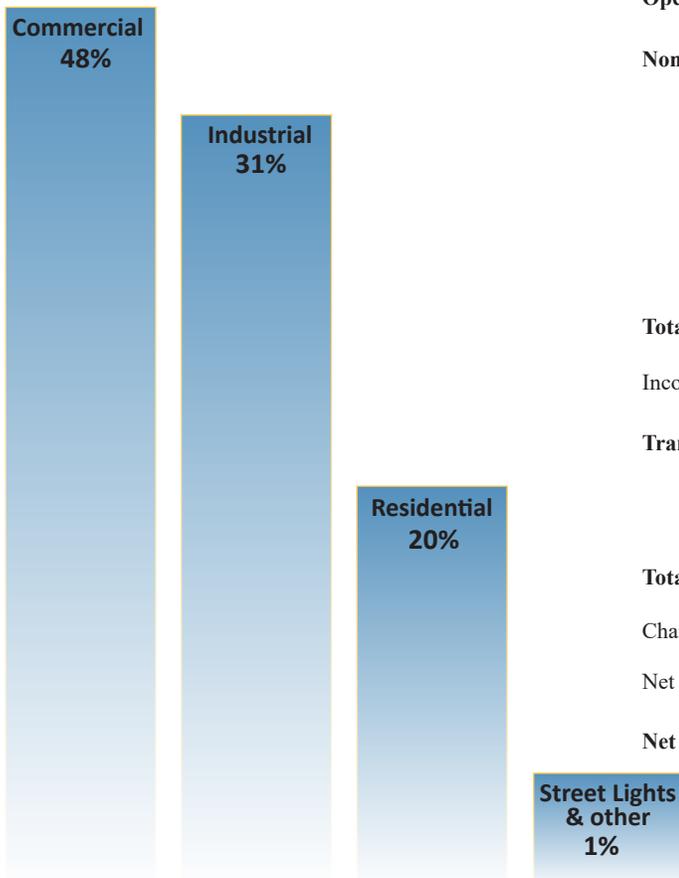
# Revenue and Expenses

## Where Does it Go?

For every dollar paid to the utility, **59¢** is spent on purchased power and related transmission costs.

- 19¢** Capital Investment
- 12¢** Distribution & Transmission
- 5¢** City Fee
- 3¢** General Administration
- 1¢** Public Service
- 1¢** Customer Accounting

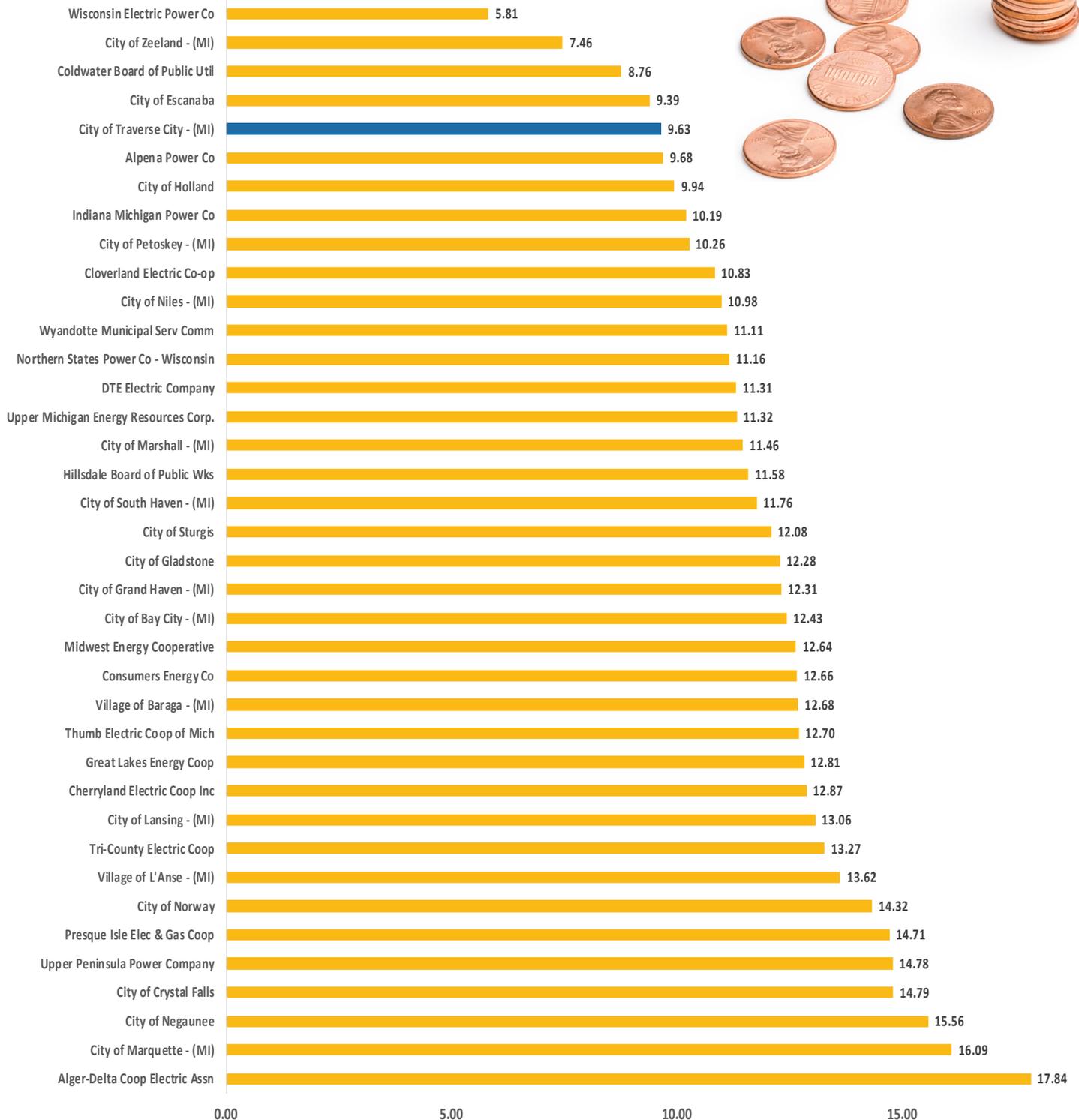
## Where Does it Come From?



	FYE 2018	FYE 2017
<b>Operating revenues</b>		
Charges for services	\$ 31,783,555	\$ 31,444,865
MISO income	3,090,792	3,123,621
Other	315,848	224,791
<b>Total operating revenues</b>	<b>35,190,195</b>	<b>34,793,277</b>
<b>Operating expenses</b>		
Purchase Power	20,881,494	22,132,569
Distribution	3,701,031	3,800,057
Transmission	466,889	444,502
Customer accounting	477,359	501,210
Public service	448,879	466,506
General administration	1,192,961	1,258,666
Fiber	171,026	150,932
WIFI	27,646	30,488
Other	68,086	73,965
City fee	1,762,822	1,743,138
Depreciation	2,781,499	2,656,157
<b>Total operating expenses</b>	<b>31,979,692</b>	<b>33,258,190</b>
<b>Operating income</b>	<b>3,210,503</b>	<b>1,535,087</b>
<b>Nonoperating revenues (expenses)</b>		
Rental income	122,908	104,746
Reimbursements	968,566	270,301
Interest income	242,075	204,246
Change in fair value of investments	(244,001)	(247,867)
Loss on sale of assets	(201,668)	(9,862)
<b>Total nonoperating revenue</b>	<b>887,880</b>	<b>321,564</b>
Income before transfers	4,098,383	1,856,651
<b>Transfers</b>		
Transfers in	125,000	125,000
Transfers out	(125,000)	(125,000)
<b>Total transfers</b>	<b>-</b>	<b>-</b>
Change in net position	4,098,383	1,856,651
Net position, beginning of year	70,182,856	71,940,770
<b>Net position, end of year</b>	<b>\$74,281,239</b>	<b>\$ 73,797,421</b>

# Rate Comparison

## AVERAGE PRICE (CENTS/KWH) INFORMATION OBTAINED FROM EIA - 2017 DATA

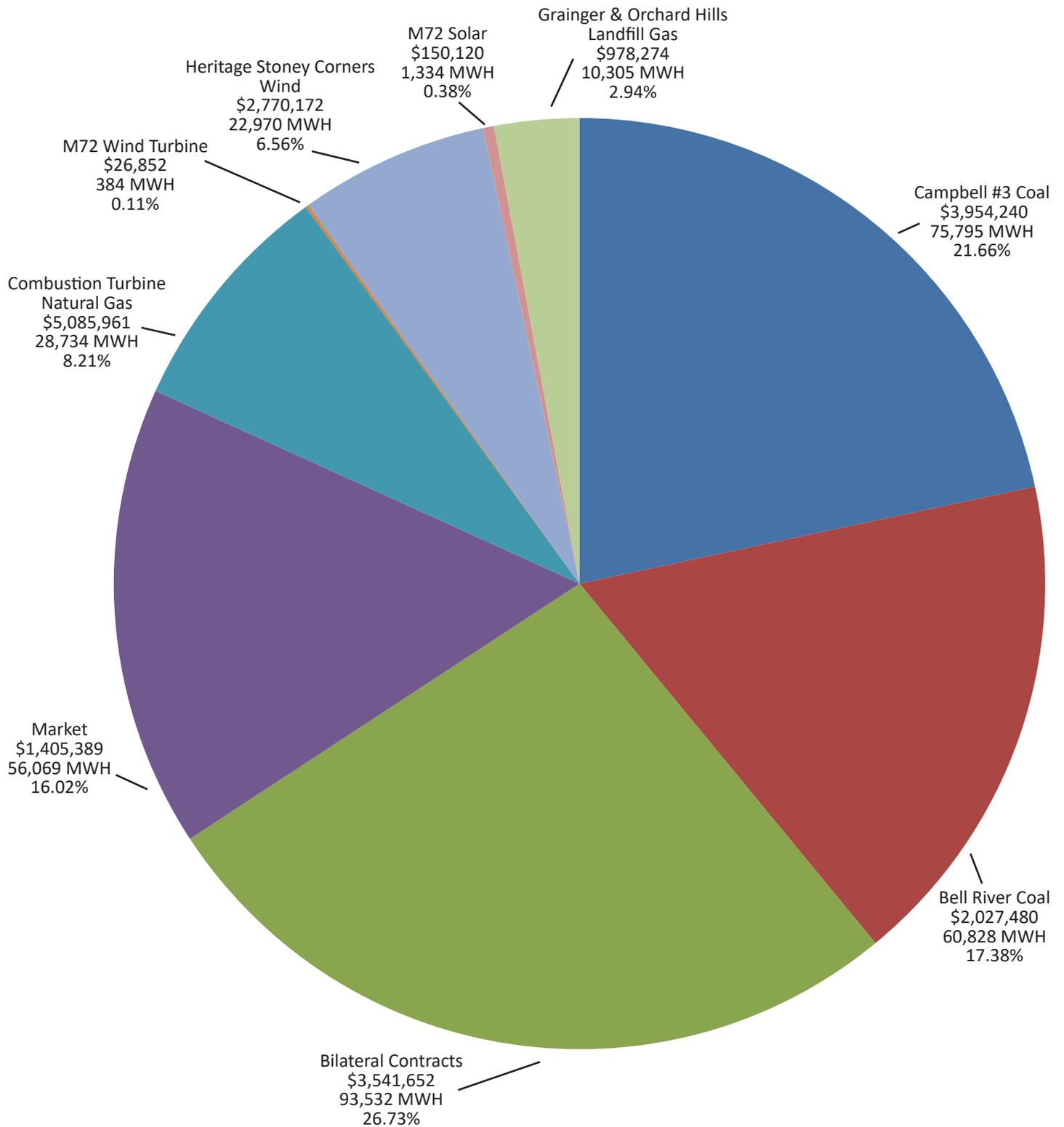


# Financial, Operating & Other Ratios

(Fiscal Years Ending June 30, 2018, 2017, 2016 and 2015)

Ratio Description	2018	2017	2016	2015	Industry Average
					<b>APPA</b>
					<b>10,000-20,000 Customers</b>
<b>FINANCIAL RATIOS</b>					
<b>Revenue per KWH*</b>					
* All Retail Customers	\$ 0.096	\$ 0.095	\$ 0.098	\$ 0.109	\$ 0.096
* Residential Customers	\$ 0.107	\$ 0.106	\$ 0.109	\$ 0.118	\$ 0.111
* Commercial Customers	\$ 0.106	\$ 0.104	\$ 0.108	\$ 0.118	\$ 0.101
* Industrial Customers	\$ 0.077	\$ 0.077	\$ 0.080	\$ 0.092	\$ 0.070
Debt to Total Assets	N/A	N/A	N/A	N/A	0.196
Operating Ratio	1.006	1.043	1.082	0.953	0.862
Current Ratio	2.44	3.66	5.37	10.64	2.77
Net income per revenue dollar	\$ 0.119	\$ 0.053	\$ 0.052	\$ 0.120	\$ 0.079
Uncollectible accounts per revenue dollar	\$ 0.0001	\$ 0.0002	\$ 0.0001	\$ 0.0011	\$ 0.0027
<b>OPERATING RATIOS</b>					
Retail customers per employee	378	381	341	330	343
Total OM expense per KWH sold	\$ 0.089	\$ 0.092	\$ 0.099	\$ 0.096	\$ 0.084
Total OM expense per retail customer	\$ 674	\$ 658	\$ 731	\$ 652	\$ 501
Total power supply expense per KWH sold	\$ 0.063	\$ 0.067	\$ 0.070	\$ 0.070	\$ 0.066
Purchased power cost per KWH	\$ 0.060	\$ 0.065	\$ 0.065	\$ 0.070	\$ 0.068
Retail customers per meter reader	6,242	6,283	5,113	4,986	6,252
Distribution OM expense per retail customer	\$ 296	\$ 302	\$ 346	\$ 283	\$ 181
Distribution expense per circuit mile	\$ 10,574	\$ 10,857	\$ 12,643	\$ 10,088	\$ 7,508
Customer accounting, service and sales expense per retail customer	\$ 38	\$ 40	\$ 45	\$ 46	\$ 54
Administrative and general expense per retail customer	\$ 96	\$ 100	\$ 77	\$ 67	\$ 198
<b>OTHER RATIOS</b>					
OSHA Incidence Rate	0%	0%	0%	0%	N/A
Energy loss percentage	6.22%	2.23%	6.93%	0.88%	2.59%
System Load Factor	57.64%	59.72%	53.84%	49.75%	57.60%

# FY 2017-18 Energy Consumption



# Who We Are

## Our Administrative Team

- Timothy Arends, Executive Director
- Jennifer St. Amour, Administrative Assistant
- Karla Myers-Beman, Controller
- Scott Menhart, Manager of Technology & Telecommunications
- Daren Dixon, Operations Manager
- Kelli Schroeder, Manager of HR & Communications
- Mark Watson, Field Engineering Supervisor
- Tony Chartrand, System Engineer
- Rodney Solak, Line Superintendent
- Gabe Talaga, Computer Systems Specialist
- Stephanie Tvardek, Scheduling & Operations Coordinator
- Jacob Hardy, Energy Technician/Key Accounts

## About Us

<b>Total Customers</b>	<b>12,500</b>
<b>Miles of OH/UG Line</b>	<b>443.5</b>
<b>Total Employees</b>	<b>38</b>
<b>Years in operation</b>	<b>104</b>

**TCL&P proudly serves Traverse City and parts of East Bay, Elmwood, Garfield and Peninsula Townships.**



## Our Board (from left to right)

- Patrick McGuire, Board Chairperson
- John Taylor, Board Vice-Chairperson
- Amy Shamroe, City Commissioner
- Tim Werner, City Commissioner
- Ross Hammersley, Board Member
- Elysha Davila, Board Member
- Paul Heiberger, Board Member
- Marty Colburn, City Manager (Ex-Officio)