

Uniting staff and governing boards in a comprehensive assessment of utility performance

By Susan Ryba

Michigan's Traverse City Light & Power takes pride in being a responsive and community-friendly utility. In 2012, the utility celebrated its 100th anniversary. Utility and city officials recognized that market and regulatory challenges required a thorough examination of utility operations and improved interaction among utility staff, city officials and governing board members.

The TCLP board and the Traverse City Commission engaged Hometown Connections to conduct a comprehensive assessment of the electric utility's operations, based on the belief that the utility was not operating as efficiently as it could be and appeared unresponsive to some community stakeholder concerns.

"The pressure to use new technologies to improve reliability and customer service, combined with the economic downturn, changes in the wholesale power supply market, and growing state and federal regulatory mandates, made clear to the board that our utility must be nimble and develop a clear direction for the future," said Tim Arends, TCLP's executive director. "However, several realities impacted our ability to perform at an optimal level. An aging workforce meant the utility was losing valuable institutional knowledge and skills to retirements. The financial objectives of the city and the utility had begun to diverge. Legal counsel disagreed on how language in the city charter may or may not

limit the utility's ability to offer new services to customers. It became too difficult for city and utility employees to work effectively when their priorities appeared to be divergent and often at cross purposes. There was also a lack of communication between the TCLP board and the Traverse City Commission."

The staff and governing bodies for the utility and city wanted a clear assessment of the state of utility operations, as well as to foster a spirit of cooperation and common purpose for the utility and the city. The governing boards for both entities asked the staff of Hometown Connections and power supply consultant Robert Dyer to provide a comprehensive and independent evaluation of utility operations and governing board functions.

The project was initially planned to be an efficiency study involving a diverse group of stakeholders in the process of selecting a consulting team, Arends said. A committee with representatives from the commissioners, Chamber of Commerce, electric board, City Council members, city staff and utility staff approved a budget and agreed the study should be conducted in an unbiased and neutral fashion. "We believed the study would be credible to our community only if it was conducted by an organization with complete independence," Arends said. Following an RFP process, the study group recommended unanimously to award the contract to the team

of Hometown Connections and Bob Dyer."

As the Traverse City group worked through the process with Hometown Connections, the scope of the project expanded from an efficiency study to a broad review of the structural challenges impacting the utility. Divergent cultures of the city and utility departments were affecting their ability to adapt to marketplace changes and customer needs. In addition, a new strategy for purchasing wholesale power had to be explored. An evolving and at times volatile wholesale power market presented both long- and near-term challenges to the utility.

"By bringing all stakeholders together in pursuit of a common goal, Hometown Connections collected the information needed to compare TCLP's performance with public power

systems nationwide and delivered more than 75 specific suggestions for applying best practices in public power to the management of our utility," Arends said. "Hometown further encouraged us to forge a strong alliance and effective communications between the city and utility governing bodies."

Based on the success of the comprehensive assessment of utility performance, the TCLP board and the Traverse City Commission gave unanimous approval to engage Hometown Connections to facilitate the development of a detailed strategic plan. Arends hopes to bring the team back every three years or so to check that all is progressing as planned. ■

Susan Ryba is a marketing consultant for Hometown Connections.

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