



CITY COUNCIL/ELECTRICAL ADVISORY COMMITTEE

February 10, 2010 - 6:00 p.m.

CITY COUNCIL

Gilbert X. Cheves, Mayor
Leo Evans, Mayor Pro-tem
Patricia Baribeau, Council Member
Brady Nelson, Council Member
Walter Baker, Council Member

ADMINISTRATION

James V. O'Toole, City Manager
Robert S. Richards, CMC, City Clerk
Ralph B.K. Peterson, City Attorney
Mike Furmanski, Electrical Superintendent

ELECTRICAL ADVISORY COMMITTEE

Ronald Beauchamp, Chairman
John Mellinger, Vice Chairman
Larry Arkens, Committee Member
Glendon Brown, Committee Member
Ann Bissell, Committee Member
Tim Wilson, Committee Member
John Anthony, Committee Member

City Council Chambers located at: City Hall - 410 Ludington Street - Room C101 - Escanaba, MI 49829

Joint Meeting Agenda Wednesday, February 10, 2010

CALL TO ORDER

ROLL CALL - City Council Members and Electrical Advisory Committee Members

APPROVAL/CORRECTION (S) TO MINUTES: Joint Meeting Minutes of January 13, 2010

APPROVAL/ADJUSTMENTS TO AGENDA

CONFLICT OF INTEREST DECLARATION

NEW BUSINESS

1. **Update-Electric Department.**
Administration will provide an overview and status report on activities and issues concerning the Electric Department including current coal issues.
2. **Update-Power Generation.**
The Escanaba Generating Plant operator will provide an overview and status report on activities and issues concerning the Power Plant.
 - a. Power Plant Update.
 - b. Peaking Generator (CT) Update.

3. **Management Briefing and Discussion - All Requirements Purchase Power and Sale of Steam and/or Combustion Turbine Generation Facilities.**

Explanation: Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the various issues being evaluated with respect to the All Requirements Power Purchase and the Sale of the Steam and/or Combustion Turbine Generation Facilities. Discussion topics will include, but not be limited to:

- a. All Requirements Power Purchase Proposal(s) - Short and Long Term options and possibilities.
- b. Environmental Assessment Update.
- c. Plant Sale Negotiations Update.

GENERAL PUBLIC COMMENT
COUNCIL/COMMITTEE, STAFF REPORTS
ADJOURNMENT

Respectfully Submitted,



James V. O'Toole
City Manager



**CITY COUNCIL/ELECTRICAL
ADVISORY COMMITTEE
ADDENDUM - Published 2/9/10
February 10, 2010 - 6:00 p.m.**

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**Joint Meeting Agenda- Addendum
Wednesday, February 10, 2010**

NEW BUSINESS

4. **Approval - Professional Services - Power System Engineering, Inc.**
Administration is seeking Council approval to extend the professional services contract with Power System Engineering, Inc of Madison, WI through December 31, 2010. Additional assistance is needed for the continued Plant Sale Negotiations, Bridge Purchase Evaluation, Power Purchase Evaluation and MISO Market Data review.

Respectfully Submitted,

James V. O'Toole
City Manager



Power System
Engineering, Inc.

OFFICES IN:
MADISON, WI
MINNEAPOLIS, MN
MARIETTA, OH
INDIANAPOLIS, IN

12301 Central Avenue, N.E., Suite 250
Minneapolis, MN 55434
Fax: (763) 755-7028
Tel: (763) 755-5122
Web Site: www.powersystem.org

Via e-mail

February 5, 2010

Mr. Mike Furmanski
City of Escanaba Electric Department
1711 Sheridan Road
Escanaba, MI 49829

RE: Scope of Work 2010

Dear Mike:

Power System Engineering (PSE) continues to appreciate the opportunity to work with Escanaba on a number of projects including the Request for Proposals (RFPs) to evaluate proposals for the power purchase and plant sale. The purpose of this memo is to outline a number of areas that are expected to be needed in the upcoming months of 2010.

First, the remaining budget for work performed through the end of 2009 is 1,210.40. Billing for January 2010 is expected to be in the range of 12,000.

Now that the contract negotiations are in progress, and a number of key milestones have been accomplished in the past few weeks identifying the amount of effort required to finish negotiations, it provides more direction in describing the expected tasks for 2010. This correspondence will provide a description of tasks and budget for 2010.

PSE envisions the following areas of work for 2010:

1. Plant Sale Negotiations
 - a. Provide Technical Guidance on Plant Sale Negotiations
 - b. Work with Attorneys in developing contract language as needed to complete the deal
 - c. Provide project management services on the plant sale process including providing timelines, contact with counter-parties, and communication with the City and counter-parties

2. Bridge Purchase Evaluation
 - a. Work with Escanaba staff to determine the optimum block sizes for energy purchases in the near term until the time of the plant sale closing
 - b. Gather prices from a handful of select entities capable of providing energy in the expected timeframe.
 - c. Perform Economic Evaluation on purchase power alternatives
 - d. Prepare materials to present to the EAC and/or City Council Work on contract negotiations for transaction confirmation

3. Power Purchase Evaluation
 - a. Perform economic analysis on final two purchase power entities
 - b. Compare costs to self generation alternative
 - c. Continue to review all viable alternatives in order to assess options available until the time of closing on the purchase power deal
 - d. Assist in purchase power contract negotiations by reviewing contract language of viable purchase power alternatives
 - e. Perform final analysis and assessment on the two purchase power alternatives and work with City in making this decision of the final purchase power entity

4. Assist Escanaba in evaluating MISO Market Data
 - a. Provide Assistance on summarizing the MISO data into a meaningful monthly format
 - b. Develop analysis and report showing the impact of load forecast error on the MISO costs
 - c. Compare MISO costs to self generation and determine overall cost summaries of the power supply costs including all fixed plant costs.

Billing has been running in the range of \$11,000 per month for the most recent three months, and this leads me to the conclusion that for 2010 will be in this range. It would be reasonable to expect this level for the period of January through October, not including March due to my schedule being out of the country. Based on this information, of nine months of billing, I am assuming that the budget for 2010 will be \$100,000. Please let me know if this approach is looks reasonable for work that is in the upcoming months through the end of 2010.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Butz". The signature is written in a cursive style with a large initial "T" and a stylized "B".

Tom Butz
Senior Planning Engineer