



## CITY COUNCIL/ELECTRICAL ADVISORY COMMITTEE

August 11, 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  
Donald Racicot, Committee Member

[City Council Chambers located at: City Hall - 410 Ludington Street - Room C101 - Escanaba, MI 49829](#)

### Joint Meeting Agenda

Wednesday, August 11, 2010

#### CALL TO ORDER

ROLL CALL – City Council Members and Electrical Advisory Committee Members

APPROVAL/CORRECTION/REVIEW (S) TO MINUTES: Joint Meeting Minutes of June 9, 2010

APPROVAL/ADJUSTMENTS TO AGENDA

CONFLICT OF INTEREST DECLARATION

#### UNFINISHED BUSINESS

**1. Electrical Advisory Committee Election of Officers.**

**Explanation:** Annually, the Electrical Advisory Committee elects officers for the positions of Chairperson and Vice Chairperson.

#### NEW BUSINESS

**1. Update-Electric Department.**

**Explanation:** Administration will provide an overview and status report on activities and issues concerning the Electric Department including:

- a. General Operations/Electrical Distribution Update.
- b. Substation Update.
- c. Coal/Dock Storage Lease Agreement Update.

**2. Update-Power Generation.**

**Explanation:** 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 – Various Issues.**

**Explanation:** Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the various issues being evaluated with respect to the sale of generation assets, power supply scenarios and related issues. Discussion topics will include, but not be limited to:

- a. **Definitive Sales Purchase Agreement** – Administration will provide an update on the Definitive Sales Purchase Agreement with Traxys, North America.
- b. **Bridge Power Purchase Agreement** - Administration will provide an update on the Bridge Power Purchase Agreement with Traxys, North America.
- c. **Environmental Work Plan Update** – Administration will provide an update on the Environmental Work Plan needed at the Power Plant property.
- d. **Power Plant Inventory Update** – Administration will provide an update on the joint Power Plant inventory that has been partially completed.
- e. **Long-Term Power Purchase Agreement** – Administration will provide an update on the status of a long-term Power Purchase Agreement.
- f. **Coal Dock Lease** – Administration will provide an update on the status of the coal storage dock lease with Reiss Coal Company.
- g. **Power Plant Septic System** – Administration will discuss the recent failure of the septic system at the Power Plant and what is needed to upgrade the facility.

GENERAL PUBLIC COMMENT  
COUNCIL/COMMITTEE, STAFF REPORTS  
ANNOUNCEMENTS  
ADJOURNMENT

Respectfully Submitted,

James V. O’Toole  
City Manager

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRICAL ADVISORY COMMITTEE**  
**CITY OF ESCANABA, MICHIGAN**  
***Special Joint Meeting***  
***Wednesday, June 9, 2010***

Pursuit to a special meeting posted May 27, 2010, the meeting was called to order by the Mayor Gilbert X. Cheves at 6:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Gilbert X. Cheves, Mayor Pro Tem Leo J. Evans, Council Members Patricia A. Baribeau, Pete Baker, and Brady L. Nelson.

Absent: None.

Present: Electrical Advisory Committee Members: Chairman Ronald Beauchamp, Ann Bissell, Larry Arkens, Tim Wilson, John Mellinger, Glendon Brown, and Don Racicot

Absent: John Anthony

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, City Controller Mike Dewar, Consultant Tom Butz of Power Systems Engineering (PSE), Power Plant Manager Jerry Pirkola, and Traxys Representatives, members of the public, and media.

Baker moved, Evans seconded, **CARRIED UNANIMOUSLY**, to approve the agenda as printed.

**UNFINISHED BUSINESS** – None

**CONFLICT OF INTEREST** – None

**PUBLIC HEARING**

**Power Plant Sale Term Sheet – City of Escanaba and Traxys North America**

On December 17, 2009, the City Council directed City Administration to proceed with negotiations on the sale of the Escanaba Power Plant with Traxys North America. This Public Hearing was scheduled to review the term sheet regarding the sale so that the public could have an understanding of the material terms and conditions of the sale.

Manager O'Toole reviewed the following:

- On August 4, 2009, the people of Escanaba gave the City Council the authority to sell the electric utility plant, equipment and assets including up to 40 acres of real property where said assets are located to another entity for continued plant operations;
- On August 5, 2009, the City Council and Electrical Advisory Committee at a joint meeting, directed the Administration to re-issue a Sale of Steam and/or Combustion Turbine Generation Facilities Request for Proposal to interested parties;
- On September 14, 2009, the City of Escanaba received a total of four (4) plant

- purchase proposals;
- On November 11, 2009, the City of Escanaba Electrical Advisory Committee approved a recommendation to City Council naming Traxys North America as the primary proposal and DTE Energies as the back-up proposal. The EAC further recommended sale negotiations commence;
- December 17, 2009, the Escanaba City Council named Traxys North America as the primary proposal and DTE Energies as the back-up proposal. The Council further directed Administration to begin plant sale negotiations;
- April 2010, DTE Energies informs the City of Escanaba that they are no longer interested in the Escanaba Facility and have chosen another direction to pursue within their organization;
- On May 25, 2010, the City of Escanaba Negotiating Team and Traxys North America agreed in principal on a Term Sheet for the sale of the Power Plant and CT. The specific terms of that agreement would be reviewed by City Attorney Ralph Peterson;

Manager O'Toole also reviewed the following:

- City Council and Electrical Advisory Committee conducted this public hearing on the mutually agreed upon in principal Term Sheet so that the public had an understanding of the material terms and conditions of the sale;
- With Council approval, Administration would begin in partnership with Traxys North America, crafting a Definitive Purchase Agreement. A Definitive Purchase Agreement was a legal document which records the final understanding of the sale of the Power Plant and CT under the stated terms and conditions. Upon completion of the Definitive Agreement, another public hearing would be scheduled before the City Council and Electrical Advisory Committee at which time the Administration would seek Council approval to execute and sign the agreement. It was anticipated that a Definitive Agreement would be completed in July 2010;
- Upon execution of the Definitive Agreement, Administration and Traxys North America would work towards a mutually agreeable closing date. The date was targeted for November 2010.

City Attorney Peterson, and PSE Consultant Tom Butz reviewed the Term Sheet with Council, and Board Members and public. Second step would make the Term Sheet a binding contract, and have it signed as an agreement in November. During discussion, it was advised the Term Sheet would need to include the proposed additional land purchase of 6 acres, and the remediation process. (See Term Sheet, Attachment – A)

Mike Reid, CEO of White Pine Power Company, and VP of Traxys North America reviewed how the conversion of the Power Plant would take place and made a presentation on Traxys North America. He concluded by stating Traxys North America looked forward to becoming a green partner with the City of Escanaba. (See Attachment – B)

During the question period, Mr. Reid advised the Closed Loop BioMass process would use tree species and materials that would not compete with area Paper Mills. Mr. Reid also advised they would not convert the Power Plant to burn garbage.

This being a public hearing, Mayor Cheves asked members of the public to comment.

Jim Keller, of Brampton, representing the Local Boiler workers in the area, stated Traxys North America was a good company. Mr. Keller was concerned whether Traxys would be hiring local workers. Mr. Reid reviewed special contracts they would have for the

boilers, and stated Traxys would be using local workers as much as possible.

Hearing no further public comment, the public hearing was closed.

Electrical Advisory Committee Member Wilson moved, Electrical Advisory Committee Member Brown seconded, **CARRIED UNANIMOUSLY**, to recommend Council approve and execute the Term Sheet, and draft a Definitive Agreement to be brought back for another public hearing and final approval.

Council Member Nelson moved, Council Member Evans seconded, to approve the recommendation by the Electrical Advisory Committee for approval to execute the Term Sheet and draft a Definitive Agreement with Traxys North America, including the 6 additional acres.

Upon a Call of the Roll, the vote was as follows:

Ayes: Nelson, Evans, Baribeau, Baker, Cheves  
Nays: None

**MOTION CARRIED.**

Manager O'Toole stated it was Administrations intent to bring back Definitive Agreement to both Council and Electrical Advisory Committee Members and public for an additional public hearing and final approval on July 14, 2010.

## **NEW BUSINESS**

### **Update-Electric Department.**

Electric Superintendent Furmanski provided an overview and status report on activities and issues concerning the Electric Department. The following items were reviewed:

- General Operations/Electrical Distribution Update;
- Substation Update;
- Coal/Dock Storage Lease Agreement Update. Would meet with Mr. Rice on June 10, 2010. An update would be brought back to Council.

### **Update-Power Generation.**

Power Plant Manager Jerry Pirkola provided an overview and status report on activities and issues concerning the Power Plant, discussions included:

- Power Plant Update, which included generator refurbishing, and stack repairs;
- Peaking Generator (CT) Update, test would be conducted June 10, 2010;

- Coal consumption update;
- Budget update at a future meeting;

**Management Briefing and Discussion – Various Issues.**

Administration updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the various issues being evaluated with respect to the power supply scenarios and related issues. Discussion topics include:

**Plant Sale Negotiations/All Requirements Power Purchase Proposal(s)**

**Phase II, Environmental Site Assessment**

Draft Environmental Site Assessment was delivered later today.

**Fix For Float Contract Analysis to Date (Call Mike Furmanski)**

Electric Superintendent Furmanski advised for May 2010, the City received a savings of \$48,000 ahead, while as of to date the City was behind approximately \$21,000.

**GENERAL PUBLIC COMMENT** - None

**COUNCIL/COMMITTEE, STAFF REPORTS**

Next Meeting of the Electrical Advisory Committee and Council was scheduled for Wednesday, July 14, 2010.

**ADJOURNMENT**

Hearing no further public comment, or further reports from the Electrical Advisory Committee and Council, the meeting adjourned at 7:08 p.m.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

Approved: \_\_\_\_\_  
Gilbert X. Cheves, Mayor

## Term Sheet

<p><b>Parties</b></p>	<p>City of Escanaba, Michigan (the “Seller”) and Traxys North America LLC, a Delaware limited liability company, through its indirect subsidiary, Escanaba Electric Company LLC, a Delaware limited liability company (the “Buyer”).</p>
<p><b>Proposed Transaction</b></p>	<p>Seller will sell, and Buyer will purchase:</p> <p>(a) Seller’s power generation facilities free and clear of any claim, lien or encumbrance, including</p> <p style="padding-left: 40px;">(i) two 12.5 nameplate megawatt coal-fired steam generation facilities located within the City of Escanaba (the “Generation Facilities”) and</p> <p style="padding-left: 40px;">(ii) an 18 nameplate megawatt diesel-fired combustion turbine unit (the “CT Unit”).</p> <p>(b) Seller will convey to Buyer a fee interest in and to real property on which the Generation Facilities and CT Unit (collectively, the “Power Facilities”) are located, consisting of the approximately 17 acres within the fence currently surrounding the Power Facilities, including all oil, gas and mineral rights therein (the “Site”) free and clear of any exception, reservation, restriction, lease, lien and encumbrance other than any easement or license needed with respect to any existing power lines running over or through the Site or any portion thereof.</p> <p>(c) Seller will assign to Buyer its interest in the following assets (together with Power Facilities and the Site, the “Purchased Assets”):</p> <p style="padding-left: 40px;">(i) the permits, licenses, easements and rights of way used by Seller for operation of the Power Facilities listed on Exhibit A and such other permits, licenses, easements and rights of way necessary for operation of the Power Facilities as may be mutually agreed upon by Buyer and Seller. To the extent that any such permits, licenses, easements and rights of way are not assignable, Seller will use commercially reasonable efforts to assist Buyer in obtaining the issuance of same in Buyer’s name;</p>

	<p>(ii) the interconnection agreements listed on Exhibit B; and</p> <p>(iii) spare parts and inventory as specified below;</p> <p>(iv) those assets set forth on Exhibit C; and</p> <p>(v) such other assets used primarily in connection with the operation of the Power Facilities as Buyer and Seller may mutually agree.</p> <p>The parties shall jointly prepare a list of the Purchased Assets, other than the Power Facilities, that individually are valued in excess of \$1,000.</p> <p>All transmissions lines and other assets owned by American Transmission Company LLC are excluded from the sale and all rights of way, easements or other property rights necessary for such transmissions lines are to remain in place.</p> <p>The parties intend that Seller will have continued use, at its own risk and expense, of the existing substation located adjacent to the Generation Facilities, to the 69 kV transmission and 12.5 kV distribution system equipment and meters, as well as access to the Site for related purposes, including accessing existing breakers and meters, for not more than eighteen months following the sale of the Purchased Assets to Buyer. During this period of access Seller would not interfere with the Buyer's ability to operate the Power Facilities to its full capacity or to convert the Power Facilities to a biomass facility, and Buyer would not interfere with Seller's permitted use and access to the distribution system equipment and meters. Seller is in the process of developing new distribution facilities and the right of access provided for in this Term Sheet will provide a means of transitioning from using the distribution facilities adjacent to the Power Facilities to the new substation. This transition is expected to be completed in the eighteen month period following the proposed sale of the Purchased Assets to Buyer. The Parties will negotiate in good faith (i) a transition access agreement to cover the foregoing, (ii) any easements or licenses as may be</p>
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	<p>reasonable and necessary for Seller’s future use of any substation, breakers, meters, distribution facilities or transmission lines that are built to replace the existing substation or distribution system or are needed for Seller’s future energy deliveries to Buyer, and (iii) if not already recorded on the property title in a manner acceptable to Buyer, any easement or license that is reasonable and necessary with respect to any existing water or power lines or other utilities running over or through the Site or any portion thereof, including without limitation, an existing water line, an easement for one primary underground distribution line, one overhead distribution line and one streetlight facility.</p> <p>If requested by Buyer, Seller will provide electricity to Buyer as a large industrial customer and will record the electricity sold to Buyer on Seller’s meters installed on or near the Site.</p> <p>Buyer and Seller, each at their own expense, will use commercially reasonable efforts to assist the other in effecting the sale and assignment of the Purchased Assets.</p>
<b>Spare Parts and Inventory</b>	<p>Buyer will purchase and Seller will sell free and clear of any lien or encumbrance all spare parts and inventory used or intended for use with the Purchased Assets as part of the purchase of the Purchased Assets and at no additional cost, including any major equipment or other property to be identified by Seller and set forth on Exhibit C hereto.</p>
<b>Fuel Inventory</b>	<p>Seller will sell to Buyer coal supplies located at the Site and on the Reiss Coal Company Dock for \$70/ton and the diesel fuel inventory at the site. Detail terms for sale of the coal supplies or the diesel fuel will be provided for in a separate agreement.</p>

<b>Transition Period Purchase of Power</b>	<p>The Parties will negotiate a separate agreement for the Seller to purchase all energy and capacity requirements required to meet Seller needs for the term of the Transition Period but not to exceed 18 months. Pricing will include both energy and capacity and be based on the term of the agreement.</p> <p>Pricing will be</p> <ul style="list-style-type: none"> <li>• 72.50/MWh for 12 Month PPT</li> <li>• \$71.50/MWh for 13 Month PPT</li> </ul>
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	<ul style="list-style-type: none"> <li>• \$70.64/MWh for 14 Month PPT</li> <li>• \$69.90/MWh for 15 Month PPT</li> <li>• \$69.25/MWh for 16 Month PPT</li> <li>• \$68.68/MWh for 17 Month PPT</li> <li>• \$68.17/MWh for 18 Month PPT</li> </ul> <p>Initial pricing will be based on the projected Transition Period, but will be trued up based on the actual Transition Period.</p>
<p><b>Transition Period</b></p>	<p>The period after the Closing Date and before both generation units are converted to biomass is the “Transition Period.”</p>
<p><b>Purchase Power Term or PPT</b></p>	<p>Period of time rounded to the nearest month of Seller purchasing energy and capacity power from Purchaser is the “Purchase Power Term” or “PPT”</p>
<p><b>Environmental Assessment</b></p>	<p>Buyer has received a copy of the Phase I assessment commissioned by Seller. Seller shall obtain a Phase II Environmental Site Assessment of the Site based on a scope of work, and using a professional environmental consulting firm, reasonably acceptable to Buyer. The Phase II ESA shall be issued to reflect the Buyer as a User entitled to rely on the Phase II and the underlying Phase I ESA. If the Phase II ESA establishes that the Site is a “facility” within the meaning of Part 201 of the Michigan Natural Resources and Environmental Protection Act, Buyer may conduct and disclose to the Michigan Department of Natural Resources and Environment (MDNRE), at Buyer’s expense, a Baseline Environmental Assessment (BEA) of the Site pursuant to Section 26 of Part 201 of NREPA. The BEA will incorporate the Phase I and Phase II ESAs. Buyer may, at its option and expense, petition the MDNRE for a determination of the adequacy of the BEA. Buyer may, at its option and expense, conduct such additional environmental assessment and investigation of the Site as Buyer desires, including the procurement and analysis of samples of soil, groundwater, air, or any other environmental medium. Buyer also may prepare, at its expense, a due care compliance plan for the Site. Seller and its employees, agents, and representatives shall furnish access to the Site, knowledgeable employees of Seller, and documents and information, and shall otherwise cooperate with Buyer’s assessment and investigation activities. Buyer agrees to reimburse Seller for one half of the costs of the</p>

	<p>Phase II assessment. The results of the Phase II assessment shall be the subject of discussion between the parties. <u>See</u> “Assumption of Obligations and Liabilities” and “Conditions Precedent”.</p>
<p><b>Permits</b></p>	<p>Buyer will be responsible for obtaining, at its cost, all governmental permits and approvals in connection with the sale and transfer of ownership of the Purchased Assets other than those permits assigned by Seller to Buyer, it being understood and agreed that Seller shall use commercially reasonable efforts to assist Buyer in obtaining such permits and approvals. Buyer will be responsible for obtaining all approvals and certifications from or notices to the Federal Energy Regulatory Commission, the Michigan Department of Natural Resources and Environment and any other regulatory body, if needed.</p>
<p><b>Assumption of Obligations and Liabilities</b></p>	<p>Buyer will assume the following obligations and liabilities related to the Purchased Assets and no others (the “Assumed Liabilities”):</p> <p>(a) from and after the date of transfer of the Purchased Assets to Buyer, Seller’s obligations under those supply and purchase agreements as mutually agreed upon by the Buyer and Seller;</p> <p>(b) obligations under contracts entered into in the ordinary course of Seller’s business that Buyer agrees to assume; and</p> <p>© except as otherwise provided in this Term Sheet, responsibility for compliance with all federal, state and local laws, regulations and judicial and regulatory orders applicable to the ownership and operation of the Purchased Assets on and after the transfer of the Purchased Assets to Buyer in respect of acts or events occurring on or after the Closing Date but, in respect of acts or events occurring prior to the Closing Date, only to the extent explicitly agreed to in the Definitive Agreement.</p> <p>The assumption of other liabilities, if any, will be negotiated and provided for in the Definitive Agreement (hereinafter identified), including, in the sole and absolute discretion of Buyer, the assumption of or the refusal to assume any environmental liabilities, including any site clean</p>

	up and environmental permitting.
<b>Guarantor</b>	Traxys North America will deliver a guaranty in the amount of Seven Hundred Fifty Thousand Dollars (\$750,000), securing Buyer’s performance of its obligations under the Definitive Agreement at the time of the execution of the Definitive Agreement.
<b>Consideration</b>	<p>The consideration payable by Buyer for the Purchased Assets will be \$4,100,000, subject to reduction for the anticipated costs which will be incurred for any environmental obligations which Buyer agrees to assume net of any compensation received from available cleanup funds or tax credits, <i>plus</i> Buyer’s assumption of the Assumed Liabilities. The cash consideration will be allocated as follows:</p> <p style="text-align: center;">Steam Facilities and CT : \$4,100,000</p> <p>The consideration will be due and payable at the time the Purchased Assets are transferred to Buyer.</p>
<b>Due Diligence</b>	Buyer intends to complete its due diligence review of the Power Facilities within 90 days after execution of this Term Sheet.
<b>Covenants</b>	<p>The following covenants will be included in the Definitive Agreement:</p> <p>(a) Buyer and Seller will cooperate with one another and use good faith efforts to cause the sale of the Purchased Assets to be completed by the Target Closing Date (hereinafter defined);</p> <p>(b) If the sale of the Purchased Assets has not been completed by the Target Closing Date specified in the Definitive Agreement, Buyer and Seller at their respective options will have the right to terminate the Definitive Agreement thirty (30) days after such Target Closing Date, provided that the party terminating the agreement is not in breach of the agreement;</p> <p>(c) Buyer intends to renovate the Power Facilities so that they will be able to be operated as biomass facilities and will use commercially reasonable efforts to meet federal, state and local laws, regulations and permitting requirements related to biomass facilities and the generation and sale of electricity;</p> <p>(d) Buyer intends to operate the Power Facilities as a power generation plant during the</p>

	<p>period that it owns the Power Facilities, and Buyer agrees to keep the CT Unit in operation at its current location for no less than three years following the sale of the Purchased Assets to Buyer;</p> <p>(e) Buyer intends to provide offers of employment to all existing employees that will allow them to remain employed at the Power Facilities; The Power Facilities will be a union facility;</p> <p>(f) Seller will have the right to call on the Power Facilities for energy in the event of a system transmission outage in which Buyer is unable to deliver energy to MISO and Seller is unable to obtain energy from MISO, provided that such delivery of energy from Buyer to Seller is consistent with applicable law and regulation;</p> <p>(g) Buyer intends to apply to the applicable Brownfield Authority for funding of the Baseline Environmental Assessment process and environmental cleanup costs if deemed appropriate from the Phase II study.</p>
<p><b>Right of Purchase</b></p>	<p>In the event that Buyer permanently ceases to operate the Power Facilities as a plant generating electricity, Seller shall have the right to purchase the Purchased Assets at their fair market value, to be agreed by the Parties, or failing such agreement, as determined by an independent valuation firm.</p>
<p><b>Representations and Warranties</b></p>	<p>Buyer and Seller will make representations and warranties in the Definitive Agreement customary for transactions of this nature.</p>
<p><b>Conditions Precedent</b></p>	<p>The conditions precedent to the transfer of the Purchased Assets to Buyer and the payment of the consideration include the following:</p> <p>(a) the completion by Buyer to its satisfaction, in its sole discretion, of Buyer’s environmental assessment and review of the Power Facilities, including, without limitation, its satisfaction, in its sole discretion, with the results of the Phase II Assessment,</p> <p>(b) Seller executes the Generator Interconnection Agreement and Buyer receives an assignment of the Generator Interconnection Agreement; or, if such an assignment is not permitted, Buyer obtains a new reasonable and</p>

	<p>customary interconnection agreement and no cost is incurred by Buyer to obtain same,</p> <p>(c) Seller obtains consent from UPPCO to terminate the existing operating agreement on terms acceptable to Seller,</p> <p>(d) Seller operates and maintains the Power Facilities in accordance with prudent utility practices between the Effective Date and the sale of the Power Facilities to Buyer,</p> <p>(e) receipt by Buyer of all governmental approvals and permits necessary for Buyer to own and operate the Power Facilities. at their full capacity,</p> <p>(g) no material adverse change to the Power Facilities or in the prospects for conversion to biomass, and</p> <p>(h) seller intends to provide confirmation from MISO that the Power Facilities are fully deliverable for 46.9 MW.</p>
<p><b>Access to Information</b></p>	<p>As promptly as possible after the execution of this Term Sheet, Seller will provide, or shall use commercially reasonable efforts to cause to be provided, to Buyer and its business, legal and accounting representatives and advisors, reasonable access to Seller's, or as applicable, UPCCO's, operational, maintenance, and accounting records for the Purchased Assets and such other records and information as Buyer may reasonably request. Seller will also make available, or shall use commercially reasonable efforts to cause to be made available, employees and consultants who are knowledgeable about such records to assist Buyer in its review. With reasonable advance notice, Seller will also grant Buyer, its representatives and advisors access to the Power Facilities and the Site.</p>
<p><b>Target Closing Date</b></p>	<p>On or before November 30, 2010 (the "Target Closing Date").</p>
<p><b>Closing Date</b></p>	<p>"Closing Date" is the actual date of closing the transaction of selling Purchase Assets.</p>
<p><b>Non-binding</b></p>	<p>This Term Sheet reflects the intent of the parties as of the effective date specified below and does</p>

	<p>not reflect all terms to be agreed upon in the Definitive Agreement. Except for the provisions under the headings Brokers, Publicity, Governing Law and Exclusivity, this Term Sheet is not binding upon Buyer or Seller. Buyer shall have no obligation whatsoever to proceed to negotiate a Definitive Agreement or to enter into any binding agreement with respect to the subject matter hereof, or to assume any liabilities, environmental or otherwise, associated with the Power Facilities. Buyer and Seller specifically acknowledge that any binding agreement among the parties will be evidenced by execution and delivery of an agreement (the “Definitive Agreement”) drafted by Seller’s counsel setting forth the terms and conditions for the sale of the Purchased Assets and explicitly binding Buyer and Seller to the purchase and sale of the Purchased Assets.</p>
<b>Brokers</b>	<p>No party has retained or will retain any brokers or finders with respect to this transaction.</p>
<b>Publicity</b>	<p>Neither Buyer nor Seller will issue any press release or other publicity concerning the proposed transaction without the prior approval of the other party except as may be required by law or regulation, including any disclosures made pursuant to the Freedom of Information Act, the Open Meetings Act, and oral and written reports to the City Council or other boards or commissions of Escanaba, Michigan. Seller will provide Buyer with a copy of any written materials that are made public.</p>
<b>Exclusivity</b>	<p>By signing this letter Seller agrees that neither it nor any of its respective, agents, affiliates or representatives will solicit, encourage or entertain proposals from, or enter into discussions or negotiations with, or furnish any information to, any third party, and will discontinue any existing discussions with any third parties, regarding any other transaction involving the acquisition or development of the Power Facilities for a period of ninety (90) days from the Effective Date (set forth below) (such period, “the Exclusive Period”). Buyer will provide Seller notice in writing no later than 2 days after Buyer reasonably believes that it will not proceed with the purchase of the Purchased Assets. After receiving such notification the obligations of this paragraph would terminate.</p>
<b>Governing Law</b>	<p>Michigan</p>
<b>Effective Date</b>	

	April __, 2010
<b>Agreed and Accepted</b>	<b>TRAXYS NORTH AMERICA LLC</b>  By: _____ Name: Title:
	<b>ESCANABA ELECTRIC COMPANY, LLC</b>  By: _____ Name: Title:
	<b>CITY OF ESCANABA, MICHIGAN</b>  By: _____ Name: Title:

EXHIBIT A  
LIST OF PERMITS

State of Michigan Renewable Operating Permit; Permit Number MI-ROP-B1573-2004

State of Michigan Department of Environmental Quality AUTHORIZATION TO DISCHARGE  
UNDER THE NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM PERMIT NO.  
MI0026697

EXHIBIT B

LIST OF INTERCONNECTION AGREEMENTS

APPENDIX 6 TO GIP  
GENERATOR INTERCONNECTION AGREEMENT

EXHIBIT C

LIST OF ASSETS TO BE DELIVERED BY SELLER TO BUYER  
Estimated Value of \$120,000

2 (two) 1993 Ford Dump Trucks

1 Caterpillar Model CAT D6C bulldozer

1 Komatsu model WA400-5L loader

1 Toyota model 7FFU30 fork lift

# *Escanaba Power Plant*



# Traxys-Facts & Figures

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- In FY 2009 Traxys had \$4.5 billion turnover
- 250 employees worldwide
- 25 global offices
- 50 employees in the Upper Peninsula of Michigan



# Locations



# Traxys - Investments & Shareholder Partners

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➤ Pegasus Capital Advisors – over \$1.5 billion under management



➤ Kelso & Company - \$4.5 billion under management



➤ Resource Capital Funds - \$1 billion under management



➤ Traxys Management - the Traxys Management Team is made up of seasoned industry experts from around the globe.



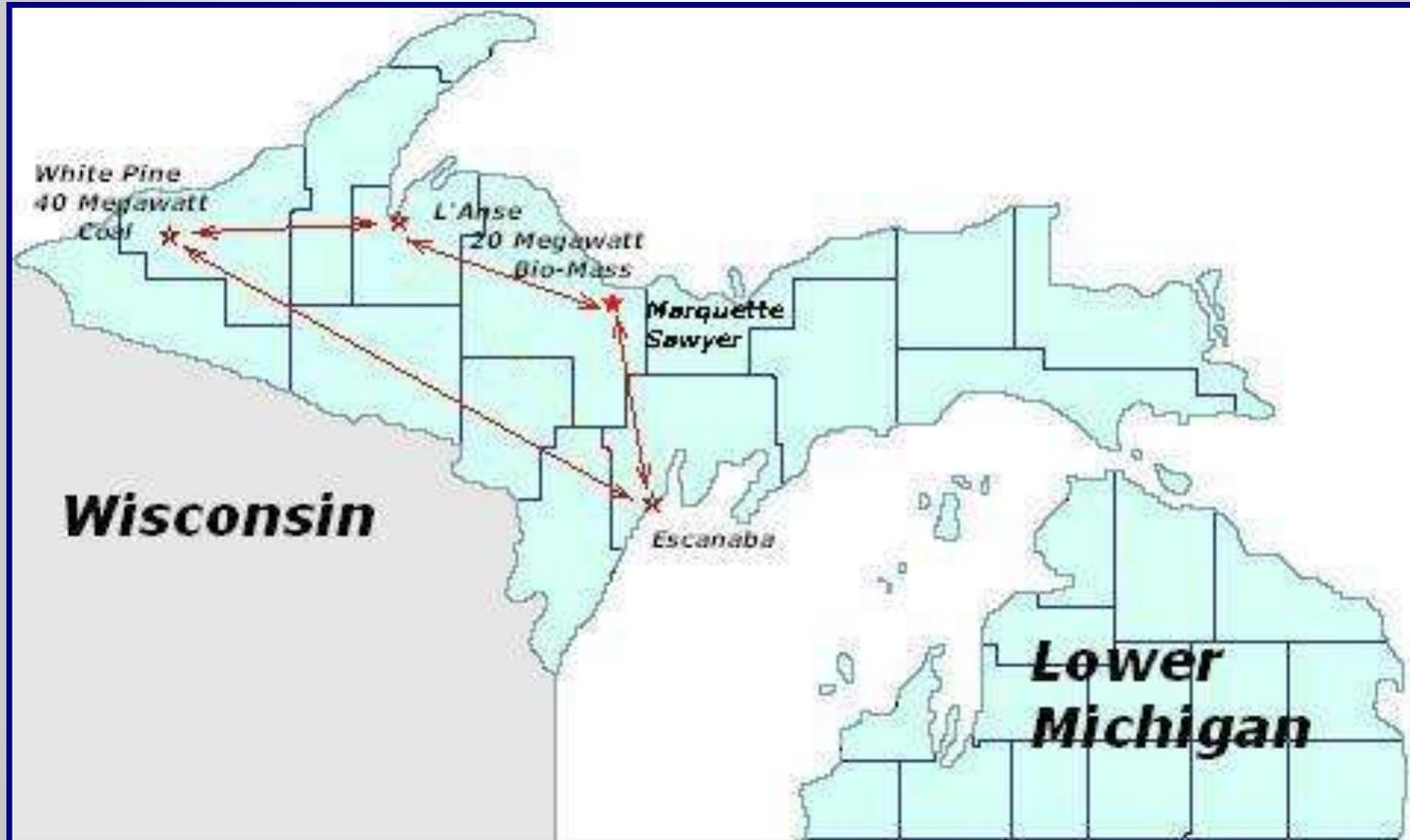
# Traxys – Energy Group

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- U.S. operating facilities that have an annual capacity in excess of 40 million tons for trans loading, blending and storage of coal and other commodities
- Energy generation capabilities of 60 Megawatts in Upper Peninsula, Michigan
- U.P. Power Marketing – a fully licensed AES (Alternative Electric Supplier) brokering wholesale and retail power

# Traxys – Energy Distribution

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# Traxys – Energy Assets

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- **White Pine Electric Power, LLC.**
  - ✓ **40 Megawatt coal generation**
  - ✓ **Serving a wholesale contract since 2004**
  - ✓ **Plant availability well above utility grade standards**
  - ✓ **5 .5 years without Lost Time Injury**
  - ✓ **White Pine will be testing coal blending with biomass this summer**
  - ✓ **Future plan is to convert existing 2 coal units to biomass**
  - ✓ **Engineering and interconnection study are on the way**

# Traxys – Energy Assets

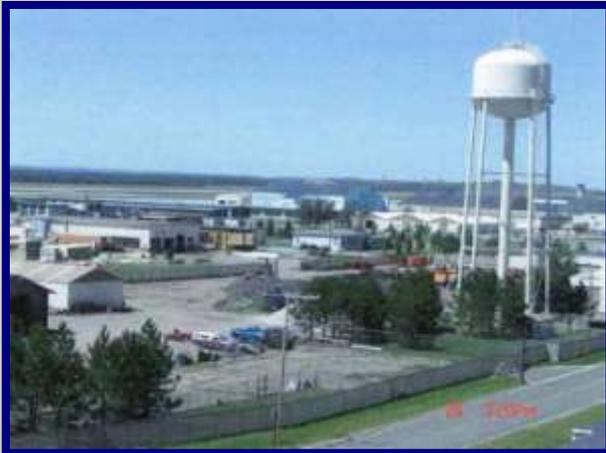
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- **Sawyer Electric Company, LLC.**
  - ✓ **23 Acre Site**
  - ✓ **Marquette County Airport on site**
  - ✓ **Potlatch, the largest wood manufacturer east of the Mississippi, is only 1,000 yards away and buys 2 million cords of wood yearly. Traxys has signed a long-term fuel supply agreement for the full output of Potlatch Bark in the range of 80-100 K tons per year.**
  - ✓ **The plan is to jointly install the whole-tree chipping facility, which will have the capability of producing 300-400 K tons of woody biomass for both Sawyer and Escanaba.**
  - ✓ **EPC Contractor is SCS (the same company that converted LWEC)**
  - ✓ **The Plant is deemed to be 32 MW nameplate co-generation**

# Traxys – Energy Assets

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Sawyer Electric Company, LLC.



# Traxys – Energy Assets

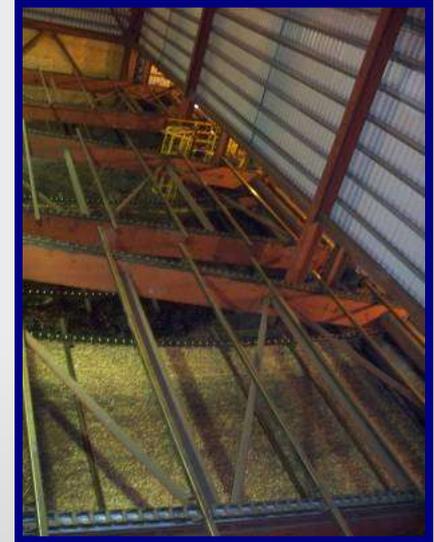
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- **L'Anse Warden Electric Power, LLC.**
  - ✓ **20 Megawatt biomass generation**
  - ✓ **32,000 lbs per hour “green” process & heating steam**
  - ✓ **Commercial operation since July 2009**
  - ✓ **First green plant to come on-line in Michigan since Governor Granholm and the House passed Senate Bill # 213 (the “RENEWABLE ENERGY PORTFOLIO AND ENERGY EFFICIENCY ACT”).**
  - ✓ **LWEC has been nominated for an innovation award by the State of Michigan**
  - ✓ **Michigan United Conservation Club’s 2010 Industry Conservation Award to be given on June 26<sup>th</sup> 2010**

# Traxys – Power Plant Conversion Expertise

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- State of an art generation and emission monitoring equipment
- Strong team of management, engineering, permitting and environmental staff working closely with State and Federal Agencies to promote economically viable renewable energy



# Traxys - Biomass

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- Based on our successful retrofit from a coal fired unit at L'anse Warden Electric to burning BIO- FUELS, the Escanaba plant is looking forward to achieving our goal of being a good Stewart and realize the environmental benefits of producing GREEN ENERGY.
- Our proven combustion practices will minimize NOx, CO, VOC's and significantly reduce SO2 emissions.
- By utilizing biomass as our fuel, the Escanaba plant will be considered carbon neutral for Green House Gases.
- We will demonstrate these benefits through compliance testing and continuous emission monitoring.
- We look forward to becoming a Green Partner to the City Of Escanaba.

# Traxys – Long Term Vision of the Plant

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- Run unit #1 on coal for 8-12 months and serve the city load
- Convert unit #2 to biomass while running Unit #1
- While converting to biomass, the balance of the city load will be served by U.P. Power Marketing
- Run unit #2 on biomass and convert unit #1 to biomass within 6 months
- Combustion turbine unit will remain as back up capacity
- After both units converted to biomass, the Escanaba Plant will serve a 20-year contract to a major utility in Michigan
- Existing work force will be offered employment with Traxys

# Traxys – Fuel for Plant

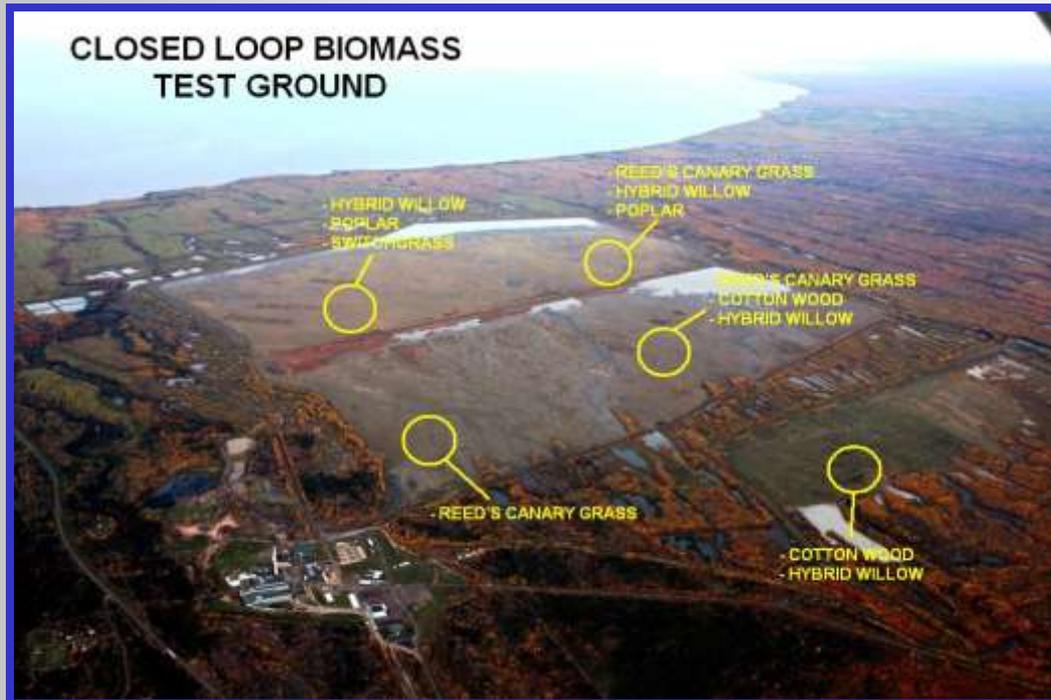
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- Major portion of the biomass fuel needed for the plant will be grown on leased acreage in close proximity to the plant
- The balance of wood is low grade wood residues, bark, diseased wood, pallets, building debris, tree tops and trimmings
- High grade wood chips are not in the mix, so will cause no interference with paper industry
- Approximately 25 ton of TDF (tire derived fuel) and 400 tons of open/closed loop biomass will be used on the daily basis



# Traxys – Closed Loop Biomass

Working with Michigan State University professor Ray Miller, testing with hybrid willow and poplar has been proven to be successful in both the White Pine and Escanaba areas.



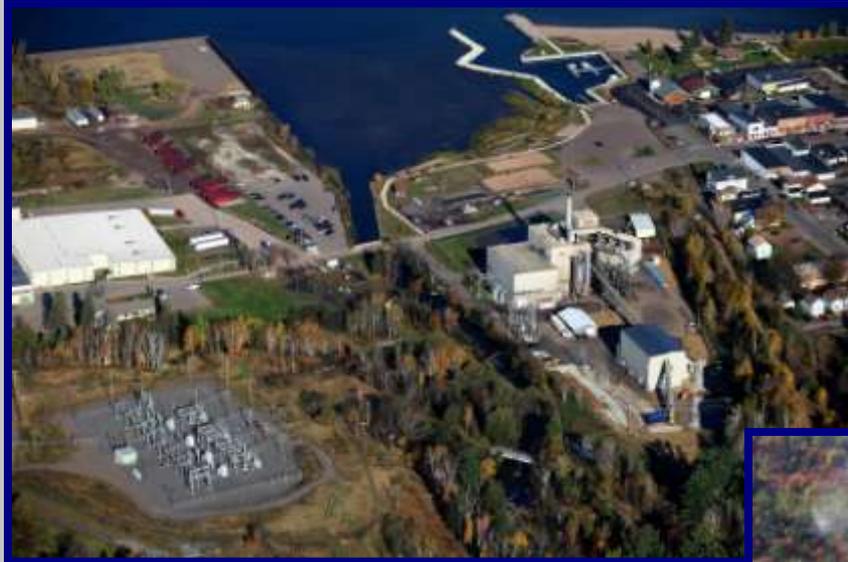
# Traxys – Escanaba Investment

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- Retention of existing power plant jobs
- About 75 direct and indirect jobs are created for every 10,000 acres of willow crops
- Farming and harvesting opportunities for local land owners
- 100 local construction jobs for 20 months
- Traxys Capital Expenditures of \$25 million locally
- Increased Tax Revenue for the City of Escanaba

# Traxys – Questions

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**White Pine Electric  
Power, LLC.**

**L'Anse Warden Electric  
Company, LLC.**

