

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRIC ADVISORY BOARD**  
**CITY OF ESCANABA, MICHIGAN**  
*Special Joint Meeting*  
*Wednesday, January 13, 2010*

Pursuit to a special meeting posted December 22, 2009, 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, Council Members Pete Baker, Leo J. Evans, and Brady L. Nelson.

Absent: Patricia A. Baribeau

Present: Electrical Advisory Board Members: Chairman Ronald Beauchamp, Larry Arkens, John Anthony, Glendon Brown, John Mellinger, and Don Racicot

Absent: Ann Bissell

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, Power Plant Manager Jerry Pirkola, Consultant Tom Butz of Power Systems Engineering (PSE), Thomas M. Ingoldsby of Shiff Hardin, and members of the public, and media.

**UNFINISHED BUSINESS – None**

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

**CONFLICT OF INTEREST - None**

**NEW BUSINESS**

**Update-Electric Department.**

Administration provided an overview and status report on activities and issues concerning the Electric Department including current coal issues.

Electric Superintendent Mike Furmanski reviewed the following items:

- Power purchase update
- Issues and Answers Memo dated January 13, 2010
  - Power Purchase Proposals – Proposals still being evaluated. The Ad Hoc committee came to the conclusion that the City should pursue a short term agreement that may be extended by our choice if market conditions warrant such extensions. If the market conditions did not warrant an extension, we

- should pursue a long term at that time. Documents were received from two parties which would be reviewed to execute an agreement;
- Plant Purchase Proposals – A letter was sent to Traxys N.A. on December 29, 2009 to inform them of their status as the primary party to begin negotiations with and to express our interest in beginning negotiations. The City negotiating team met on January 12, 2010, to discuss milestones, goals, issues, etc. The first face to face meeting with Traxys was scheduled for January 14, 2010;
  - Power Plant Property Phase I Environmental Site Assessment.

### **Update-Power Plant.**

The Escanaba Generating Plant Manager Jerry Pirkola provided an overview and status report on activities and issues concerning the Power Plant. The following was reviewed:

- Power Plant budget items;
- Burning less coal, purchasing more from the grid;
- Turbine I over haul with stack work in conjunction;
- Update of coal on the dock;
- Combustion Turbine still off line, repair issues still persist.

### **All Requirements Purchase Power and Sale of Steam and/or Combustion Turbine Generation Facilities.**

Administration updated 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.

The following was discussed:

### **Legal Services Introduction/Update.**

Thomas M. Ingoldsby of Shiff Hardin introduced himself and his firm. He advised three issues needed to be addressed, Commercial and Financial, Environmental, and Regulatory. Milestones needed to be measured, especially with the sale of the plant. Mr. Ingoldsby advised the following will be reviewed and addressed:

- Execution of Term Sheet;
- Due Diligence Review;
- Environmental Assessment;
- Future Operation of Plants;
- Continuation of Jobs;

- Asset Purchase Agreement;
- Closing.

Mr. Ingoldsby stated the Power Purchase Agreement would involve a selection of a Power Supplier, Negotiation of Term Sheet/Power Purchase Agreement, Firmness of Commitment, and Point of Delivery. He further advised Negotiations of the Term Sheet/Power Purchase Agreement would include pricing, term and credit issues. The final agreements would include the Closing on Power Purchase Agreement, and the coordination of Asset Sale with New Power Supply Source.

**All Requirements Power Purchase Proposal(s) – Short and Long Term options and possibilities.**

Consultant Tom Butz of Power Systems Engineering (PSE) made the following Power Point presentation. See Appendix – A

Mr. Butz advised Power Purchase Proposals were reduced to two companies, and a letter was sent to the third company thanking them for their interest.

Mr. Butz stated a Short Term Agreement would be designed to start at the time of the sale of the Power Plant.

**Environmental Assessment Update.**

Manager O'Toole reported the Phase I Environmental Assessment was received this date. It was a very large and detailed report. The report was currently under review and a recommendation would be forwarded when received.

**Plant Sale Negotiations Update.**

This item was covered in prior discussions.

**GENERAL PUBLIC COMMENT** - None

**COUNCIL/COMMITTEE, STAFF REPORTS**

The next joint meeting of City Council and Electrical Advisory Committee was scheduled for February 10, 2010.

**ADJOURNMENT**

Hearing no further public comment, or further reports from the Electrical Advisory

Joint City Council & Electrical Advisory Minutes  
January 13, 2010 – cont.

Committee and Council, the meeting adjourned at 7:15 p.m.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

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

# **Purchased Power and Generation Sale Updates**

Presented to City of Escanaba City Council and Electric  
Advisory Committee in Open Session

January 13, 2010

# Purchase Power Actions

- WE Energies
  - We Requested First Draft of Agreements
  - Provided Responses to WE Energies Questions
    - Plans for Selling Generation
- AEP
  - We Requested First Draft of Agreements
  - Provided Load Data Update
    - Remove Industrial Load From History
      - Also Benefit for Current MISO Operations

# Purchase Power Agreements

- WE Energies
  - WE Service Agreement
  - Requires More Review
- AEP
  - Standard EEI Governing Agreement
  - Transaction Confirmation
    - Describe Unique Transaction Attributes
      - Term, Price, Delivery Points
  - Credit Assurance Documentation

# Purchase Power Next Steps

- WE Energies
  - Legal Review of First Draft of Agreements
  - Receive Second Draft of Agreements
    - Based on Responses to Questions
- AEP
  - Legal Review of First Draft of Agreements
  - Work through Agreement
  - Receive updated pricing

# Generation Sale

- Provided Schiff Hardin List of Issues
- Received First Draft of Term Sheet
  - Intended to provide basic parameters
- First Face to Face Meeting With Attorneys
  - Identified Main Documents and Milestones
  - Conference with Regulatory and Environmental
- First Face to Face with Traxys – Thu AM

# MISO / ATC Questions

- Issues of Transferring Assets to New Owner?
  - Not likely a big issue
- Deliverability of Resources to Escanaba?
  - Need to Make Sure no Issues
- Need to Maintain Right to call on Generation?
- Outage of Seller for Plant Conversion
  - Less of an Issue with one Unit at a time

# Upcoming Meetings

- Response from MISO on Questions
- Meeting with ATC Monday
- Meeting with WPS/UPPCO Wed

# Questions

