

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRIC ADVISORY BOARD**  
**CITY OF ESCANABA, MICHIGAN**  
*Special Joint Meeting*  
*Wednesday, August 5, 2009*

Pursuit to a special meeting posted July 28, 2009, the meeting was called to order by the Mayor Leo J. Evans at 6:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Leo J. Evans, Council Members Gilbert X. Cheves, Patricia A. Baribeau, Brady L. Nelson, and Thomas P. Warstler

Electric Advisory Board Members: Walter Baker, Ronald Beauchamp, Ann Bissell, John Mellinger, Tim Wilson, and Don Racicot.

Absent: Electric Advisory Board Member Glendon Brown

Also Present: City Manager James V. O'Toole, and Electric Superintendent Mike Furmanski, Consultant Tom Butz of Power Systems Engineering, and media.

**UNFINISHED BUSINESS** - None

**NEW BUSINESS**

**Update – Electric Department.**

City Administration provided an overview and status report on activities and issues concerning the Electric Department.

- Holiday station car wash;
- Airport buildings;
- Various maintenance;
- EPA Notice per Clean Air Act;
- Coal update: City Manager O'Toole briefly reviewed two options from Alpha Coal regarding a coal by back agreement. He advised the two options did not look favorable for the City. After discussion, it was the consensus that an Action Plan regarding the Alpha Coal should be done, composed of Council Member Cheves, City Administration, and Electric Advisory Committee Board Member Wilson;
- City Manager O'Toole briefly reviewed an update regarding the proposed UPPCO Service contract. He advised an agreement probably would not be made;
- Electric Superintendent Furmanski briefly updated the repairs to combustion turbine (CT). After discussion a Committee of Council Member Nelson, City Administration, and Electric Advisory Committee Board Member Beauchamp, to review events leading to the CT failure.

## **Update – Power Plant.**

Jerry Pirkola – Power Plant Administration, and The Escanaba Generating Plant Operator provided the following review and status reports, activities and issues concerning the Power Plant:

- Generator 2 update;
- Coal burned update, and remaining coal on dock;
- Operations Budget;
- Combustion generation update;
- CT available next week;
- Stack repair update.

## **Discussion – Energy Option Discussion.**

Explanation: The Council, Electrical Advisory Committee, Plant Operator and Administration will be gathering to review and discuss how the City will move forward in planning for the future electrical needs of the community.

City Manager O'Toole reviewed the following options:

Main Objectives:

- Pursue Purchase Power Agreement to Reduce Electricity Costs;
- Eliminate exposure to uncertainty of existing plant costs;
- Find an acceptable party to purchase Plant that will continue to operate Plant.

Tom Butz was retained to help City with the action plans. Mr. Butz advised the market has changed since November 2008 when Request for Proposals (RFP) were let for Purchase Power and Generation Sale. Since that time the market continued to fall, with July 2009 prices 70% less than 2008. Mr. Butz suggested there could be more opportunities for purchase power evaluation, and possibly more interest in biomass conversion opportunities of plant. The Market would continue to drop, but eventually it will come back up. Mr. Butz advised the bulk of cost savings expected would be from purchase power, not the sale of Power Plant.

Mr. Butz stated network transmission was common to all plans and should be pursued in order to get the process started of having American Transmission Company (ATC) determine required facilities to provide firm transmission service. After discussion, Council Member Cheves, and Electric Advisory Committee members Bissell and Wilson, with City Administration, were schedule to meet with ATC on August 12, 2009, to discuss network transmission now that the City had the vote approved to possibly sell the Power Plant.

## **Wholesale Power Purchase Proposals**

The following questions regarding the Wholesale Power Purchase Proposals were reviewed:

1. There was no consensus to continue exclusively with the 4 wholesale offers the City was reviewing?
2. Should the 4 wholesale parties update their estimates/offers? If so, there could be a 1 month delay.
3. Should the City contact others that we have been in contact with over the past 6 years, but did not submit a proposal in December?
4. There was a consensus that the City would welcome any other wholesale offers.
5. There was a consensus that the City should re-issue the purchase power RFP. It was suggested that additional offers were likely, and the process could take up to 2 months. A subcommittee of Electric Advisory Committee Members Brown and Beauchamp, and City Administration was formed to reissue the purchase power RFP.
6. It was advised that the following criteria of selecting top purchase power proposal should include the following with any other modifications:
  - a. Price
  - b. Portfolio Diversity
  - c. Carbon Exposure

## **PLANT PURCHASE PROPOSALS**

Mr. Butz reviewed the following regarding the Plant Purchase Proposals:

1. Do we want to continue exclusively with the 2 offers we have?
2. Should we contact others that we have been in contact with, but did not submit a proposal in January?
3. Would we welcome any other offers received?
4. Is June 2011 the timeframe to target asset transfer (driven by expiration of Plant Operating Agreement)?
5. Do we want to re-issue the plant purchase RFP? (Results in 2 Month Delay Concurrent with Purchase Power RFP)
6. Environmental Assessment work to begin right away in order to provide a baseline of information for City of Escanaba?
7. What is the criteria of choosing Plant Purchase Proposal?
  - a. Price
  - b. Sharing of Environmental Costs
  - c. Overall Business Plan
  - d. Viability of Power Sale Arrangements
  - e. Other

## **DEFINED ALTERNATIVES**

1. Get 'R Done

- a. Refresh prices of existing proposals and select purchase power provider
  - b. Select Plant Purchase Counterparty and begin negotiations.
2. Check First and Move Ahead
- a. Seek Proposals for new entities, or issue RFP for All Requirements Purchase Power
  - b. Select Plant Purchase and begin negotiations.

After discussion, it was the consensus, as an obligation to the voters, to open up RFP to all entities and to contact DTE and Traxys N.A. to keep on-going discussions with them. A committee was composed of Council Member Nelson, Electric Advisory Committee member Beauchamp, with City Administration.

After discussion, it was the consensus of Council and Electric Advisory Committee Board Members for City Administration to proceed with a baseline study.

Mr. Butz reviewed a Gantt chart (See Attachment A) on the Project: Next Steps. Chart will be updated and provided to all members.

It was a consensus that another Joint Meeting of City Council and Electric Advisory Committee be scheduled for September 9, 2009.

It was the consensus of Council and EAC Board Members that the contract with Mr. Butz should be continued. A proposal to continue would be submitted to Council for proposal.

Hearing no further public comments or reports from EAC and Council, the Council adjourned at 7:47 p.m.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

Approved: \_\_\_\_\_  
Leo J. Evans, Mayor