

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRIC ADVISORY BOARD**  
**CITY OF ESCANABA, MICHIGAN**  
*Special Joint Meeting*  
*Wednesday, October 28, 2009*

Pursuit to a special meeting posted October 15, 2009, the meeting was called to order by the Mayor Leo J. Evans at 6:30 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

Electrical Advisory Board Members: Larry Arkens, Ronald Beauchamp, Ann Bissell, Glendon Brown, and Don Racicot.

Absent: Electrical Advisory Board Member Walter Baker, John Mellinger, and Tim Wilson.

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

**UNFINISHED BUSINESS** - None

**NEW BUSINESS**

The following agenda items were reviewed together. PSE consultant Tom Butz presented a power point presentation entitled, Escanaba Plant Sale and Purchase Power Initial Evaluation. (See Attachment – A)

**Management Briefing – Request for Proposal – All Requirements Purchase Power.**

Administration updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the All Requirements Purchase Power Request for Proposal(s). On September 28, 2009, seven (7) provider proposals were submitted to the City of Escanaba for consideration. The City of Escanaba requested proposals from electric suppliers to provide both firm power and load following requirements commencing no later than July 1, 2011. PSE representative

**Management Briefing – Request for Proposal – Sale of Steam and/or Combustion Turbine Generation Facilities.**

Administration updated the City Council, Electrical Advisory Committee and Citizens

of Escanaba on the status of the Sale of Steam and/or Combustion Turbine Generation Facilities Request for Proposal. The City of Escanaba requested proposals from entities with an interest in continuing the operation of the generation facilities and maintaining as much continuity of employment as possible.

It was the consensus of the Electrical Advisory Committee and City Council, that after reviewing the RFP information regarding the Power Plant Purchase, Rockland Capital was eliminated from consideration. Traxys North America and DTE Energy Services were the remaining two companies under consideration for the Power Plant Purchase.

Administration was directed to post the November 11, 2009, Electrical Advisory Committee regular meeting as a joint meeting of City Council and Electrical Advisory Committee.

After discussion of the Power Plant and Purchase Power presentation, the following motions were made:

Electrical Advisory Board Member Brown moved, Electrical Advisory Board Member Arkens seconded, CARRIED UNANIMOUSLY, to recommend the Escanaba City Council hire a second consultant to help with the purchase power evaluation, at a cost not to exceed \$15,000.00.

Council Member Cheves moved, Council Member Nelson seconded, the Escanaba City Council engage a second consultant to help with the power purchase evaluation cost comparisons, at a cost not to exceed \$15,000.00, as recommended by the Electrical Advisory Committee.

Upon a call of the roll, the vote was as follows:

Ayes: Cheves, Nelson, Baribeau, Evans  
Nays: Warstler

**MOTION CARRIED.**

Administration reviewed the following other items:

- Superintendent Furmanski advised a November 3, 2009, meeting was scheduled with WPS and ATC regarding the MISO market participate application;
- Reviewed EPA request.

Hearing no public comment or further reports from the Electrical Advisory Committee and Council, the meeting adjourned at 7:57 p.m.

Joint City Council & Electrical Advisory Minutes  
October 28, 2009 – cont.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

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

# **Escanaba Plant Sale and Purchase Power Second Discussion**

Tom Butz

Power System Engineering

October 28, 2009

# Areas to Discuss

- More descriptions on the purchase power proposals
- Carbon footprint of proposals
- MLC/MCC description and historic costs
- Coal inventory projection for Escanaba
- Escanaba Current cost projection
- Next Steps

# Purchase Power Proposals

- Additional Information Requested
  - Great Lakes Utilities
  - Minnesota Power
  - WPS/UPPCO
  - WE Energies
  - Traxys
- High Level Cost Comparison
  - Allows Screening to See lowest Cost Parties to Pursue

# Purchase Power Proposals

## Components of Costs

- Demand - Higher than Market for Formula Based Costs
  - Credit for CT Capacity with Some Proposals
- Energy - Lower than Market for Formula Based Costs
- Network Transmission - Common to All Plans
- Ancillary Services
  - Included in Demand/Energy costs
- MISO Marketing Agent
  - Must be Added to Self Generation Costs, but included in all Purchase Power Proposals
- Delivery
  - Hourly cost to deliver power to Escanaba
  - Applicable for MP, UPPCO, WPS, WE Energies, WPPI

## Summary of Proposal Information

Proposal	Type	Term	Demand Billing	Energy Billing	Use of CT	MISO Marketing Services	Network Transmission Costs
Minnesota Power	Formula	Five Years 2010-2015	Maximum Escanaba Demand	Formula Based Rate - Same Value for Each Each Year - Trued up based on Actuals	Participating Power Agreement for the CT	Not Clear	Common Assumption and Costs Included in both Stand Alone Case and Individual Proposals
UPPCO	Formula	15 year contract with three year termination notice	Coincident with Supplier - Demand Savings potential	On and Off peak energy rate On Peak Period Trued up Based on Actual Costs	Willing to negotiate up to 10% capacity charge credit for running the CT up to 600 hours per year	Yes Included in Formula Rate If the Plants are not being bid into the market	
WPS	Formula	15 year contract with three year termination notice	Coincident with Supplier - Demand Savings potential	On and Off peak energy rate On Peak Period Trued up Based on Actual Costs	Willing to negotiate up to 10% capacity charge credit for running the CT up to 600 hours per year	Yes Included in Formula Rate If the Plants are not being bid into the market	
WE Energy	Formula	10, 15, or 20 year Term	Coincident with Supplier - Demand Savings potential	On and Off peak energy rate On Peak Period Trued up Based on Actual Costs	CT may be run as desired to reduce demand billing peak	Yes Included in Formula Rate If the Plants are not being bid into the market	
American Electric Power	Market	3 years	Maximum Escanaba Demand	Fixed Price	No option for CT Credit	Not Clear	
Traxsys	Market	10 years - Willing to Start in Year 6	Maximum Escanaba Demand	Fixed pricing w/out on and off pk periods	Option to Purchase CT as a trasfer of assets, and not part of the purchase power RFP	Included	
Great Lakes Utilities	Formula	5 years, or up to 10 years	Coincident with Supplier - Demand Savings potential	on pk 8 am to 10 pm - HE 9 am to HE 10 PM M-F	Participating Power Agreement for the CT Prices Quoted are in the range of	Yes Included in Formula Rate If the Plants are not being bid into the market	
WPPI	Formula	Five Years	Coincident with Supplier - Demand Savings potential	On Pk HE 8 am to HE 9 pm M-F	Agreement for the CT - Prices Quoted are in the range of \$1.00/kW-mo	Yes Included in Formula Rate If the Plants are not being bid into the market	



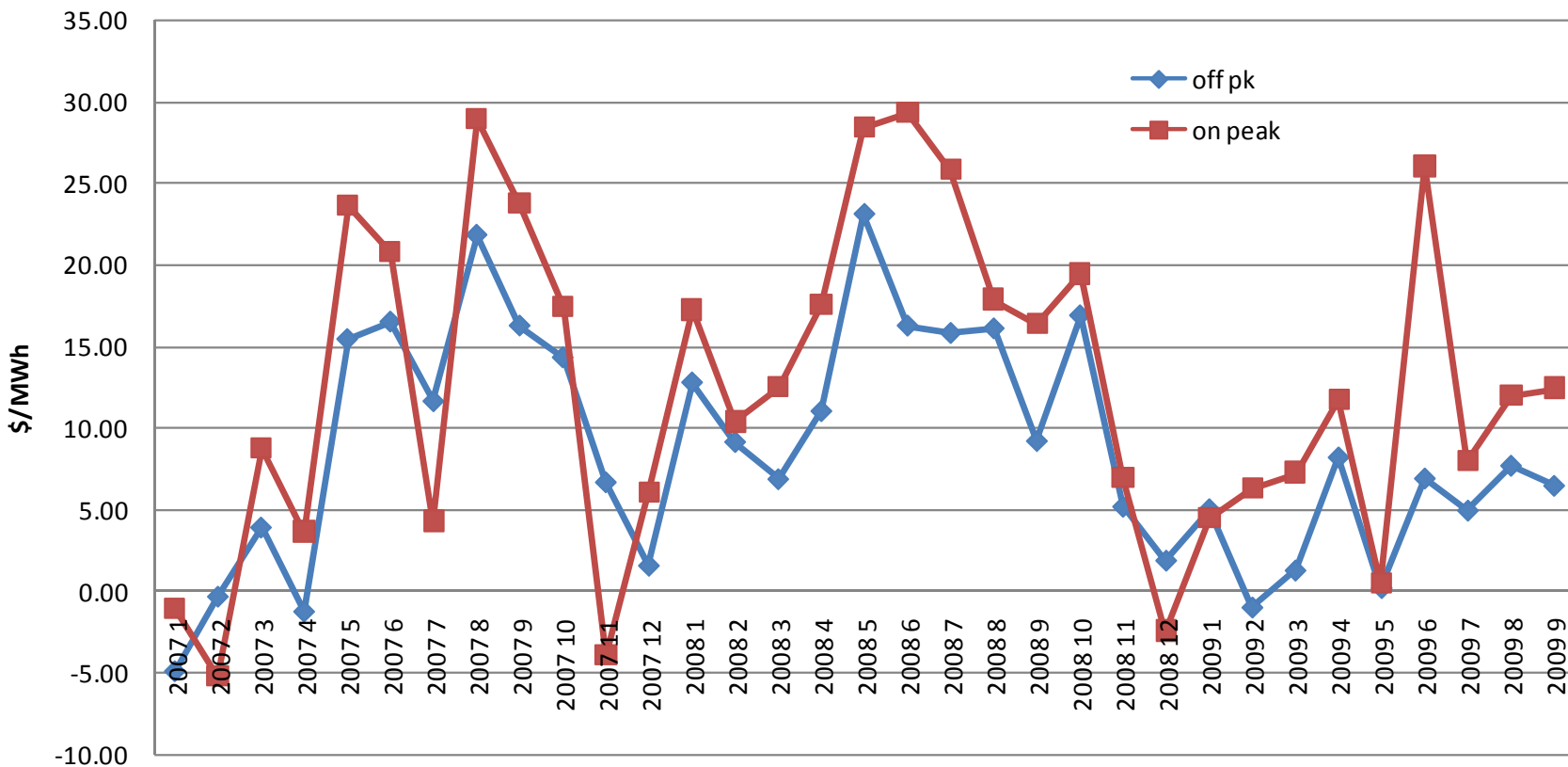
# Carbon Emissions – Purchase Power Proposals

- Available Data
  - Generation Mix % from Response Package
  - Hourly data available for WPS, WE Energies, and MP from Independent data source
  - Data not as readily available for Traxys, as it depends on their assessment of the fuel mix

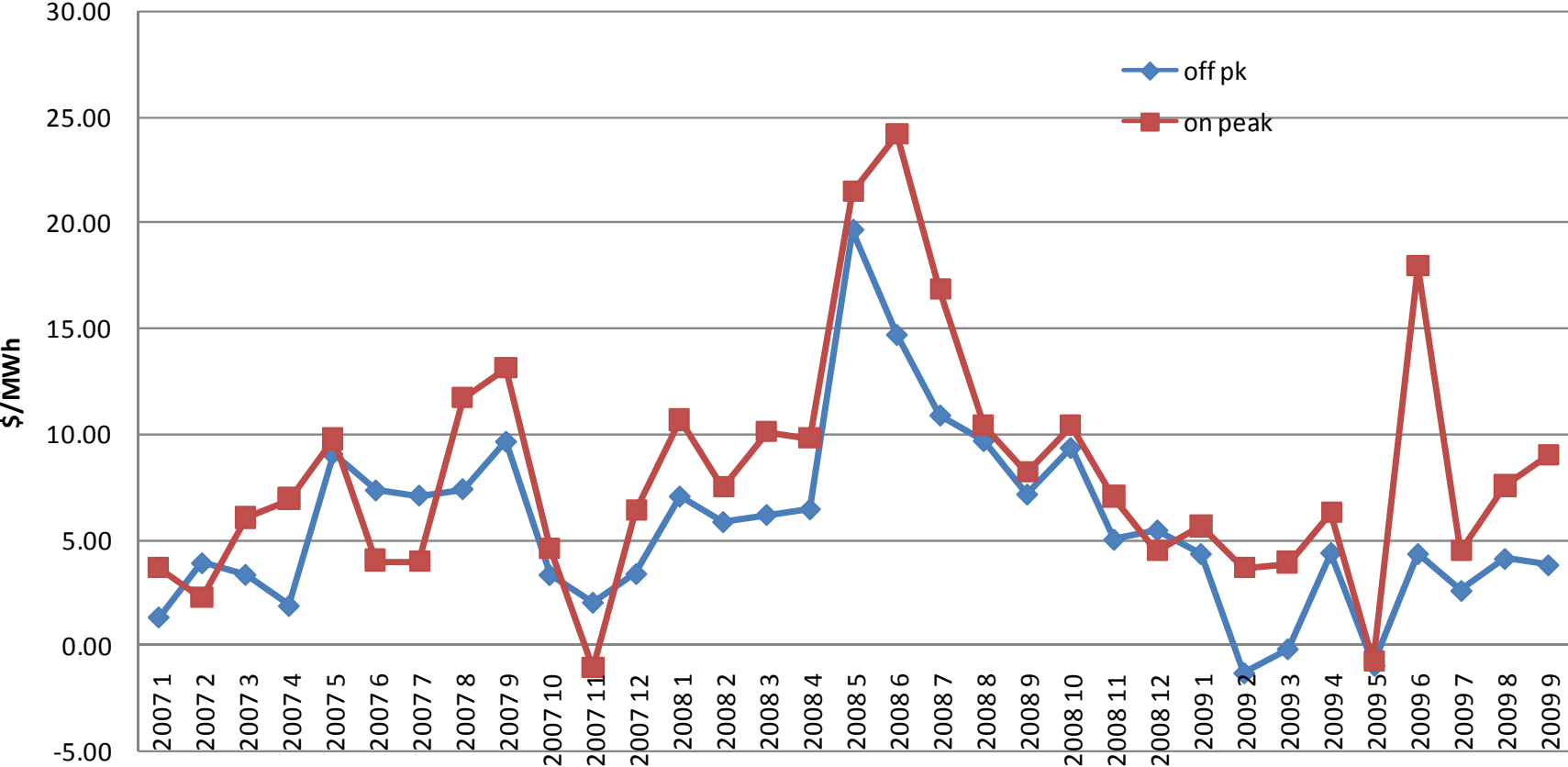
# MLC/MCC Costs

- Define
  - Difference in Cost From One Node to Another
- Proposals dependent
  - MP, WPS, UPPCO, WE Energies
  - WPPI – MLC + 50% MCC up to 5% of Costs
- Proposals Independent
  - Traxys, AEP, Great Lakes Utilities
- History of Costs

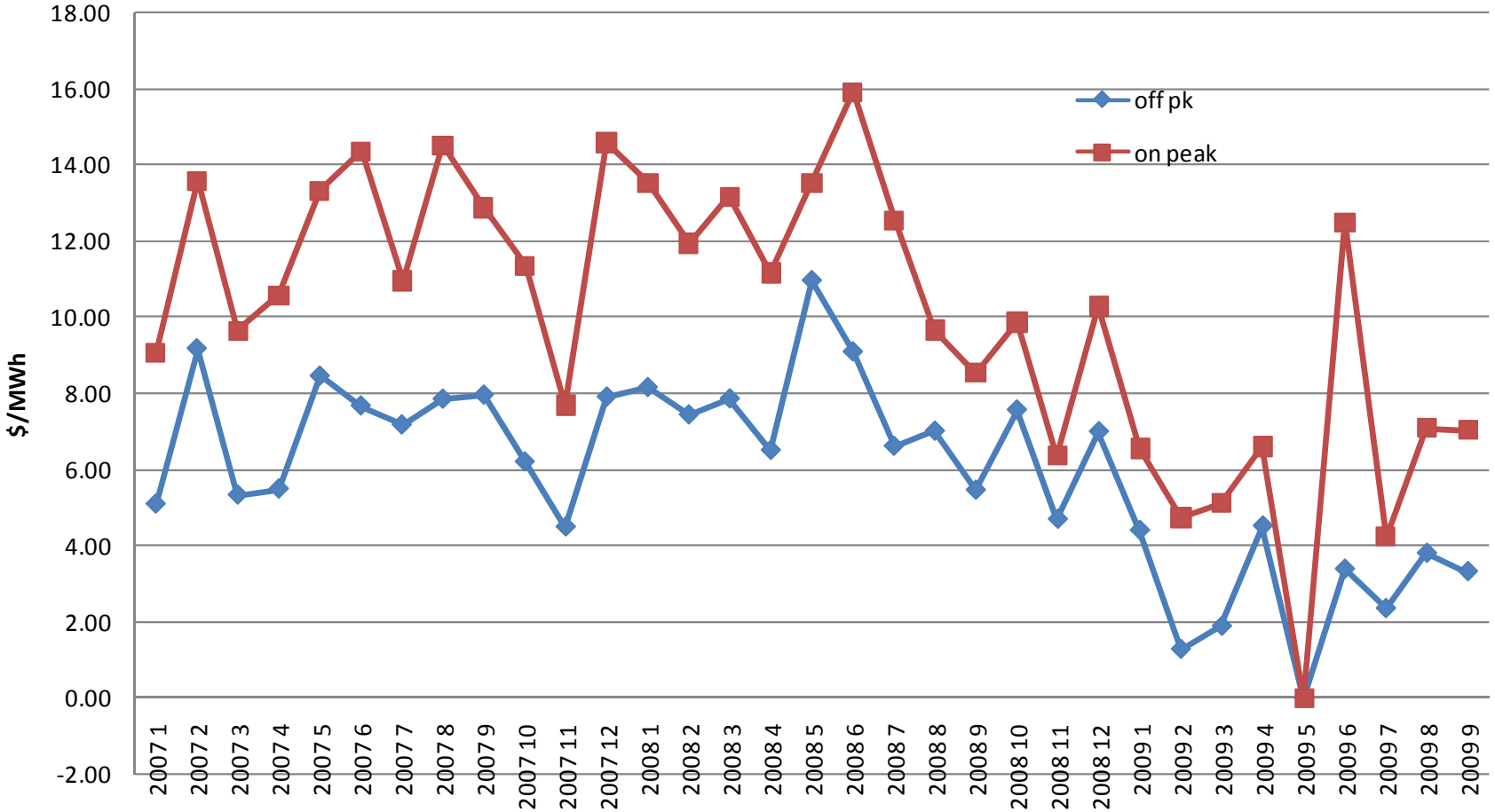
## MP MLC/MCC Monthly Avg



# WPS MLC/MCC Monthly Avg



# WPPI Energies MLC/MCC Monthly Avg



# Conclusions and Summary of Costs

- 2009 Delivery Costs are lower with lower market
- 2008 costs are more indicative of a normal market
- Action: put in monthly 2008 values in evaluation for purchase power proposal

# Purchase Power Evaluation

- Define Evaluation Matrix
- First Discussion of Matrix

# Purchase Power Evaluation Matrix

- Resource Diversity – 30 points
- Risk of Delivery Cost (MLC/MCC) - 30 points
- Alignment with Muni Business Structure – 30 points
- Expected Cost Uncertainty – 30 points
- NPV of Costs – 50 points
- Resource Capacity MW / Escanaba Peak MW – 30 points
- Total 200 points



# CO2 Emissions

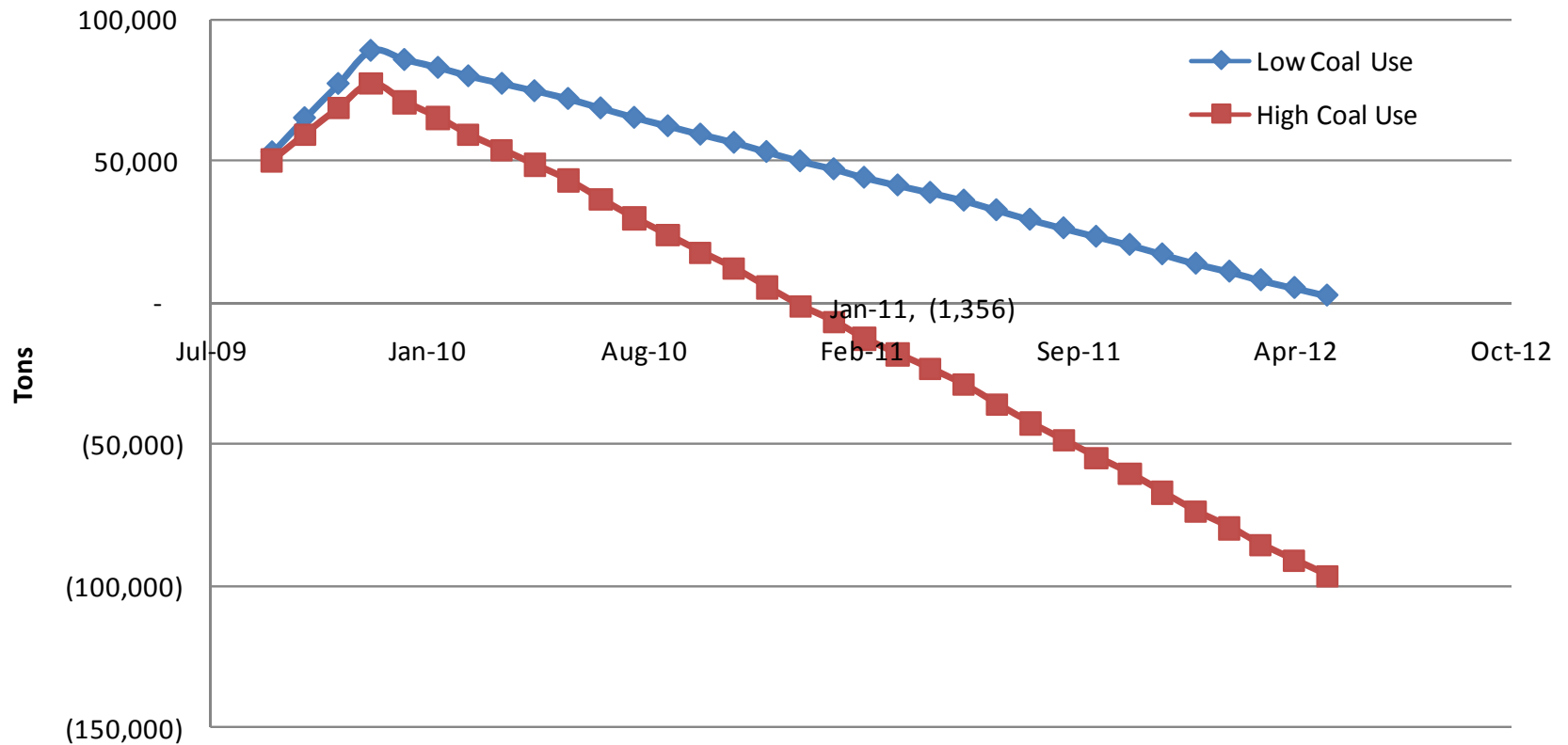
- WEC – 1.05 tons/MWh
- WPS – 1.024 tons/MWh
- MP – 0.8845 tons/MWh
- GLU – 1.0 tons/MWh
- WPPI – 0.8 tons/MWh
- AEP – N/A
- Traxys – Est 0.2 tons/MWh

# Escanaba Self Generation Costs

- Large driver of Coal Costs
- Coal Inventory is a key issue
  - When will high cost coal be used?
- Components of costs
- Summary of current costs and projected

# Key Issue – Use of Current Coal Contract

## Balance of Coal



# Update on Plant Sale Evaluation

- Screen out Rockland Capital ?
- Run through Evaluation Points of two parties on Nov 11 – Ad hoc committee to provide input to scoring
- Decide on Plant Sale at November 11 Meeting

# Purchase Power Strategy

- MISO Market Services
  - Included in All Purchase Power Proposals
- Lower Cost Higher Carbon Proposal
  - Cost Comparisons in process
  - Strategy of Seeking Lowest Cost Purchase for Five years is being evaluated
- Low Carbon Proposal
  - Strategy of pursuing low carbon energy starting in 2016 appears acceptable

# Next Steps

- Purchase Power Cost Comparisons
- Meet with Ad Hoc Committee Nov 4 or 5
- Include Comments and Prepare for November 11
- November 11 Joint Meeting
  - Purchase Power Cost Comparisons
  - Self Generation Cost Comparisons
  - Decide on Top Generation Sale Parties (1<sup>st</sup> and 2<sup>nd</sup>)
  - Decide on Top Purchase Power Parties (1<sup>st</sup> 2<sup>nd</sup> and 3<sup>rd</sup> )
- Provide Notice to Plant Purchase Entity and
- Purchase Power Provider after November Meeting