

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRIC ADVISORY BOARD**  
**CITY OF ESCANABA, MICHIGAN**  
***Special Joint Meeting***  
***Wednesday, November 11, 2009***

Pursuit to a special meeting posted October 29, 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, Patricia A. Baribeau, Leo J. Evans, and Brady L. Nelson.

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

Absent: None.

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

**UNFINISHED BUSINESS** – None

**CONFLICT OF INTEREST** - None

**NEW BUSINESS**

**Update – Electric Department.**

Electric Superintendent Mike Furmanski provided an overview and status report on activities and issues concerning the Electric Department, information which was provided in a his weekly Issues and Answers memo.

- Discussed operating strategy once the City was purchasing power through MISO.

**Update – Power Plant.**

Power Plant Manager Jerry Pirkola a review and status report on activities and issues concerning the Escanaba Generating Power Plant, its power purchases, and operation budget.

- Discussed pricing load during September 2009;

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

Administration provided 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.

Mr. Furmanski introduced PSE consultant Tom Butz, and Eric J. Hughes of Ventyx, out of Atlantic Georgia, who have been analyzing the Sale of the Power Plant and Power Purchase proposals.

- Mr. Hughes advised committees were on the correct track in their selections;
- Pleased to see RFP's were made public;
- Ad Hoc Committees were thanked for their participation;
- Mr. Butz briefly summarized a recent ATC meeting.

A power point presentation was presented by Mr. Butz and Mr. Hughes on the Purchase Power Proposals, See Appendix - A

The following recommendations were discussed after the presentation:

- Drop three bids from further consideration Bid-A, Bid-B, Bid-G;
- Continue detailed due diligence with remaining bidders;
- Explore impacts of transitioning from Short Term Deals to a Long Term Deal with the remaining long term bidders;
- Ad Hoc Committee recommends bringing outside legal council into the process as soon as possible;
- City Attorney will be part of the negotiating team.

After further discussion, Brown moved, Wilson moved, **CARRIED UNANIMOUSLY**, to recommend City Council drop three bids from further consideration, bids received from Bid-A, Bid-B, Bid-G, and to continue detailed due diligence with remaining bidders.

Brown moved, Wilson seconded, **CARRIED UNANIMOUSLY**, to recommend City Council bring in outside legal council into the Purchase Power Proposal process as soon as possible.

A power point presentation was continued by Mr. Butz and Mr. Hughes on the Power Plant Sale, See Appendix - A

The following was discussed after the presentation:

- Priority was to continue a sale which would be a conversion to biomass;

Joint City Council & Electrical Advisory Minutes  
November 11, 2009 – cont.

- Still look and make sure who ever purchases the Power Plant, the change over to biomass, that current Power Plant employees would be involved in the process;
- The number one bidder was Traxys, the number two bidder was DTEES;
- Inform both remaining Bidders, where they ranked, and to begin due diligence
- Ad Hoc Committee recommended bringing in legal council into the process as soon as possible.

After discussion, Brown Moved, Arkens seconded, **CARRIED UNANIMOUSLY**, to recommend to the Escanaba City Council proceed with negotiations on the Power Plant Sale with the number one bidder Traxys.

Brown moved, Arkens seconded, **CARRIED UNANIMOUSLY**, to recommend Escanaba City Council and Administration proceed with hiring an outside expert legal council to assist in Power Plant Sale process.

It was City Council consensus to proceed with the Electrical Advisory Committee's recommendations.

City Manager O'Toole advised a Joint Meeting with Council and the Electrical Advisory Committee be scheduled on December 2, 2009, at 6:00 p.m., room C101 of City Hall, on the screening of the Wholesale Power Purchase, and a second meeting of Council and the Electrical Advisory Committee be scheduled for December 16, 2009, at 6:00 p.m., room C101 of City Hall, for the final selection on the Wholesale recommendation.

Power Plant employee Charles Detiege, asked what coal costs were used in the power point projections. Superintendent Furmanski and Mr. Hughes clarified the figures for Mr. Detiege.

Chairman Beauchamp asked for a replacement for the vacancy by Council Member Baker as soon as possible.

Hearing no further public comment, or further reports from the Electrical Advisory Committee and Council, the meeting adjourned at 7:17 p.m.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

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

# Purchased Power Proposal Evaluation

## Evaluation Process and First Round Scoring Results

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

November 11, 2009

# Purchase Power Scoring Overview

- The Proposals
- Scoring Categories
- Evaluation Process
- Findings
- Recommended Actions

# The Proposals

- Short Term
  - 5 Bids
  - 3 year to 5 year terms
  - 1 with a term extension option to 10 years
- Long Term
  - 4 Bids
  - 10 to 15 year terms

# Scoring Factor Categories

- Financial Viability – 30 points possible
- Resource Diversity – 30 points
- MLC/MCC – 30 points
- Business Structure – 20 points
- Cost Certainty - 40 points
- NPV Costs – 50 points
- Resource Depth – 30 points

# Scoring Findings

- Financial Viability
  - 30 points possible
  - Strength of Balance Sheet
  - Backing of Parent Company
  - Age of company operations
  - Electric utilities rated higher than merchant power providers
  - Range of scores: 10 – 30

# Scoring Findings

- Resource Diversity
  - 30 points possible
  - Generation mix
  - Age of facilities
  - Fuel mix
  - Geographic locations
  - Range of scores: 10 to 30

# Scoring Findings

- MLC/MCC
  - 30 points possible
  - MISO delivery cost risk
  - Proposals with delivery costs included rated highest
  - Higher historic variability and averages rated lower
  - Range of scores: 5 to 30

# Scoring Findings

- Business Structure
  - 20 points possible
  - Municipal agencies rated highest
  - Regulated IOU's rated lower
  - LLC's rated lowest
  - Range of scores: 0 to 20

# Scoring Findings

- Cost Certainty
  - 40 points possible
  - Exposure to Carbon Costs
  - Exposure to fuel cost volatility
  - Exposure to Power Market prices
  - Range of scores: 10 to 40

# Scoring Findings

- Resource Depth
  - 30 points possible
  - Ratio of Escanaba load to the Bidder's available capacity (smaller is better)
  - Range of ratios very wide: 0.5% to 30%
  - Range of scores: 5 to 30

# Scoring Findings

- NPV Costs
  - 50 points possible
  - Costs from 2011 to 2018 considered
  - Details of the analysis...

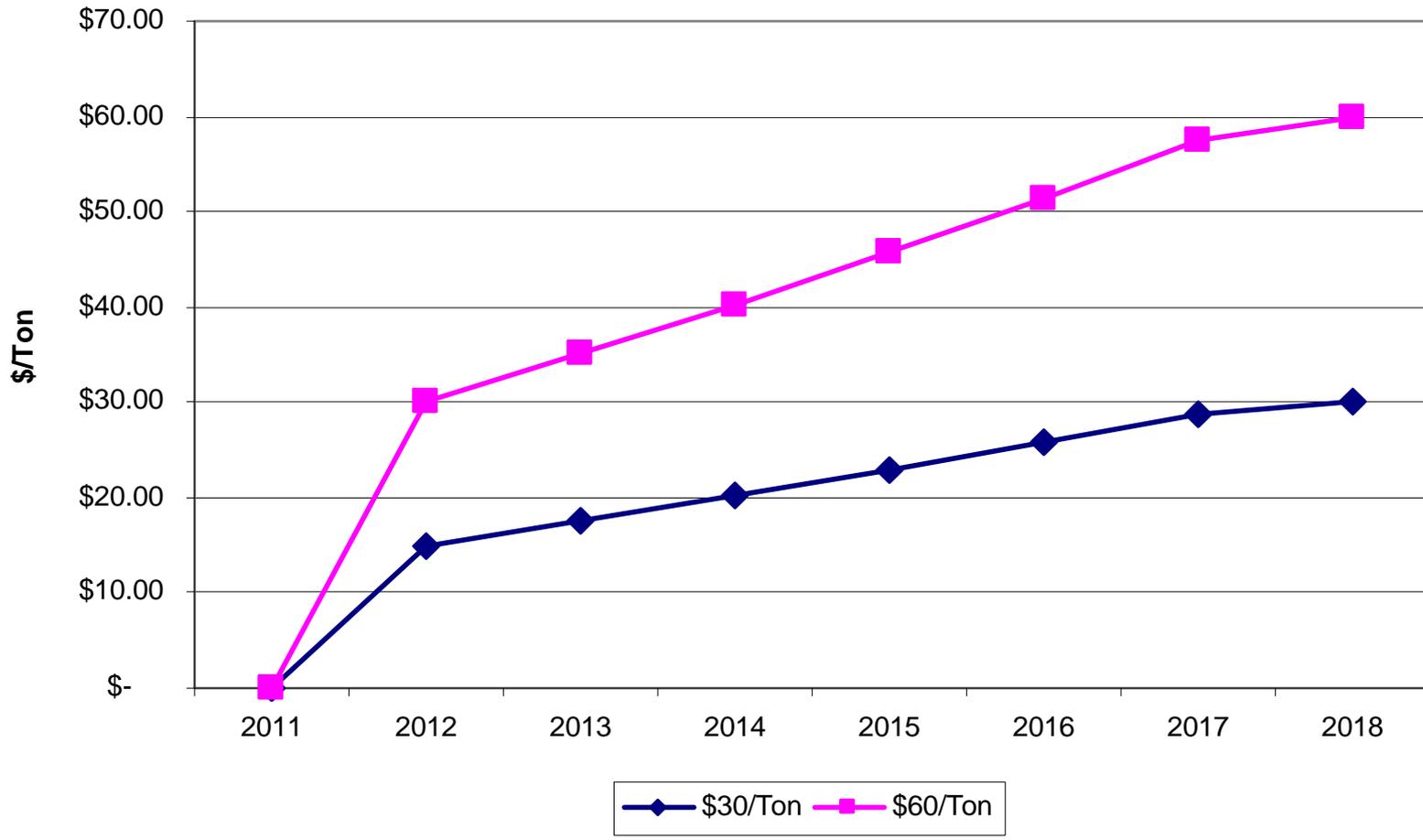
# Cost Components

- Capacity Costs
- Energy Costs
- Transmission Costs
- MLC/MCC
- Carbon

# NPV Analysis

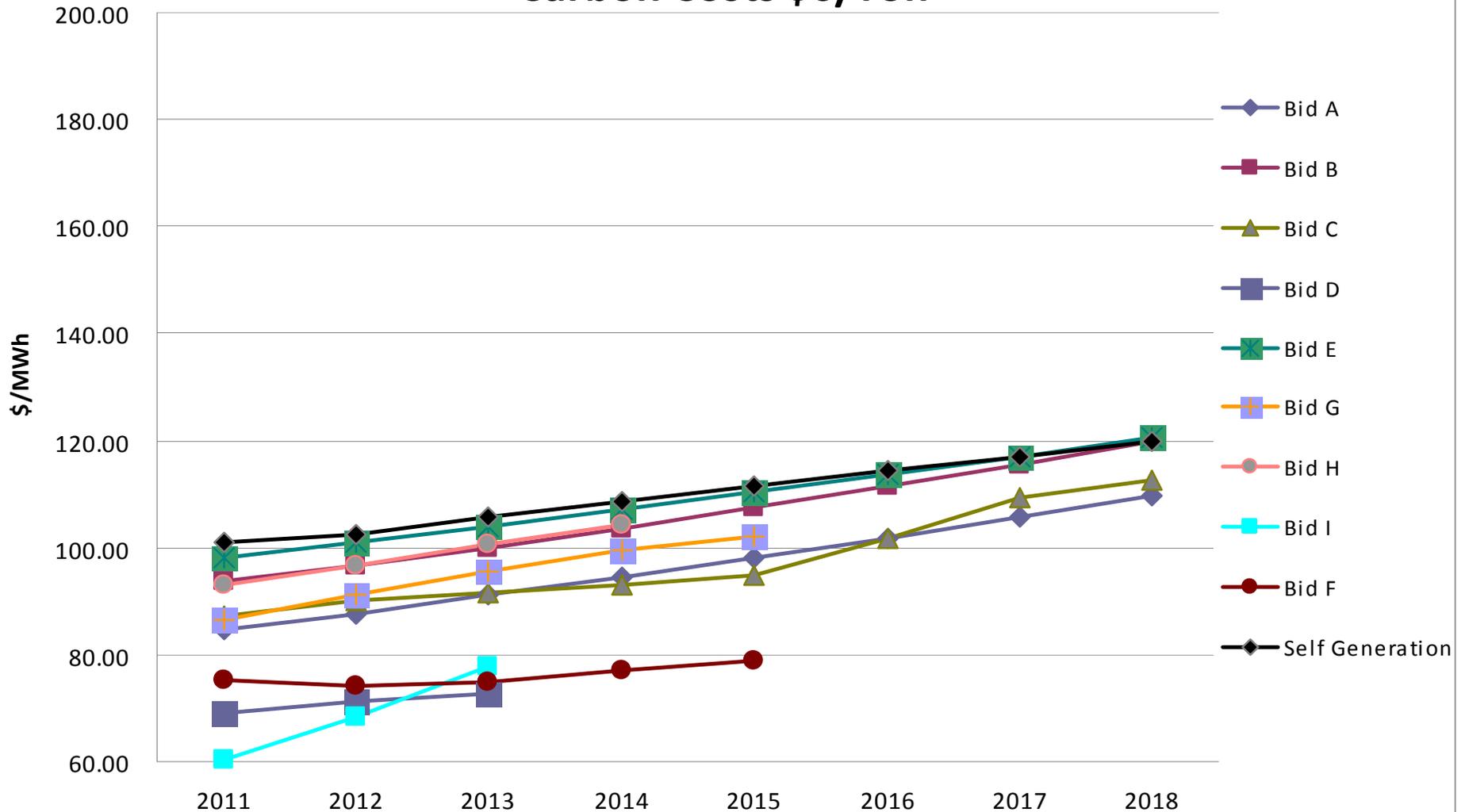
- Calculated for 2011 - 2018
- Discount Rate = 5%
- 3 Carbon Cost scenarios
  - No Carbon Costs
  - \$30/Ton in 2018
  - \$60/Ton in 2018
- Extension of short term proposals

## CO2 Cost Projections



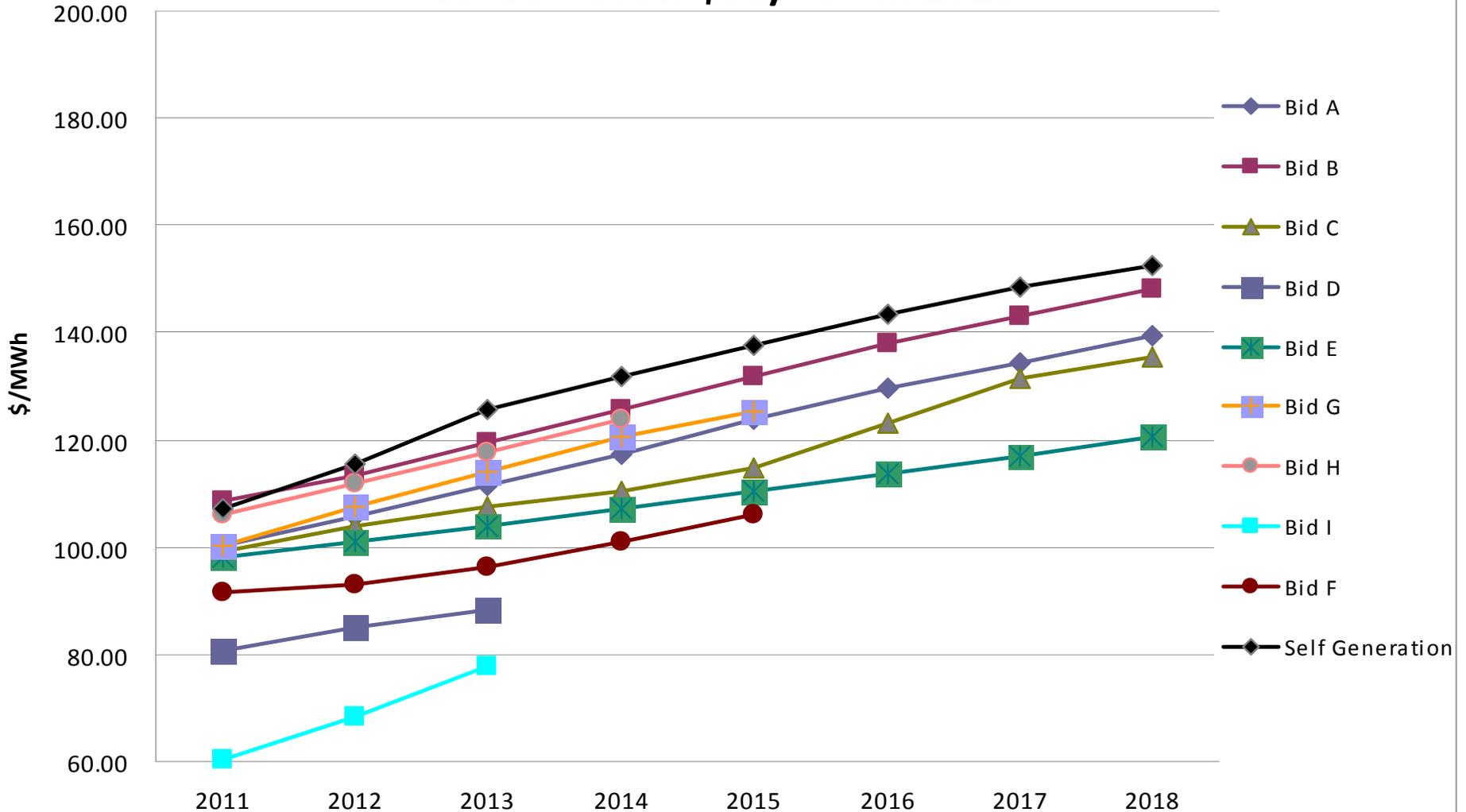
# Summary of Projected Costs

## Carbon Costs \$0/Ton

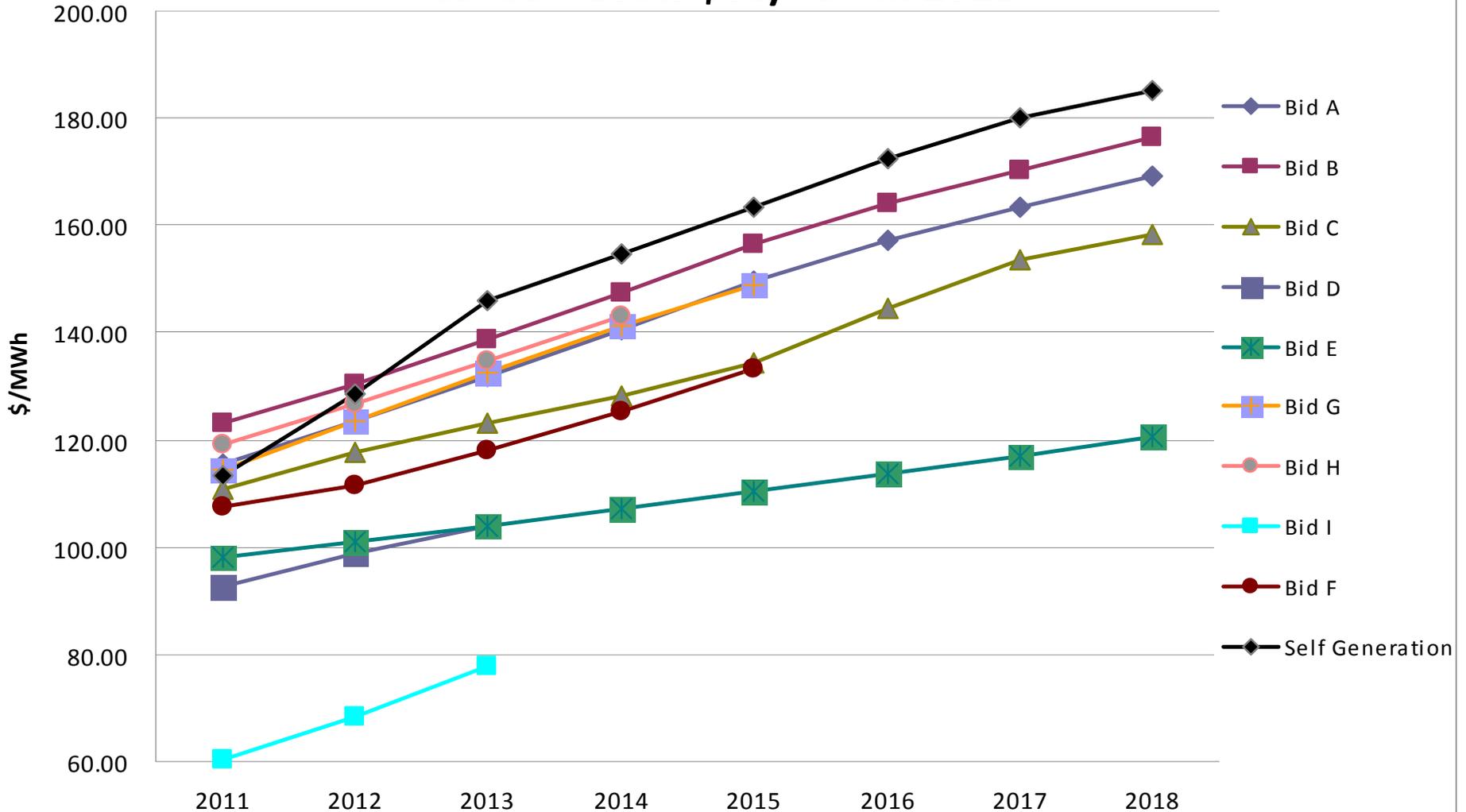


# Summary of Projected Costs

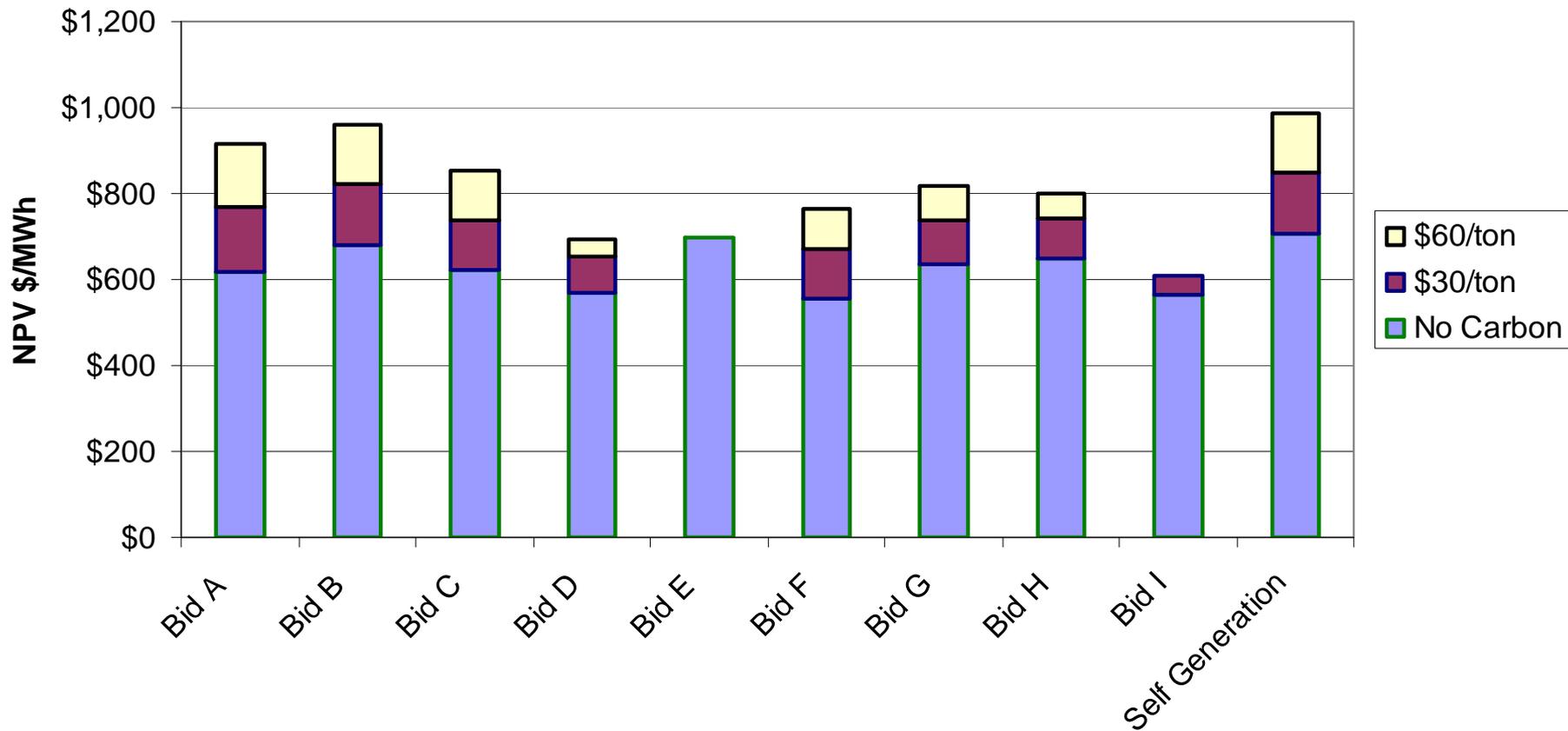
## Carbon Costs \$30/Ton in 2018



## Summary of Projected Costs Carbon Costs \$60/Ton in 2018



# NPV Costs 2011-2018 2011\$

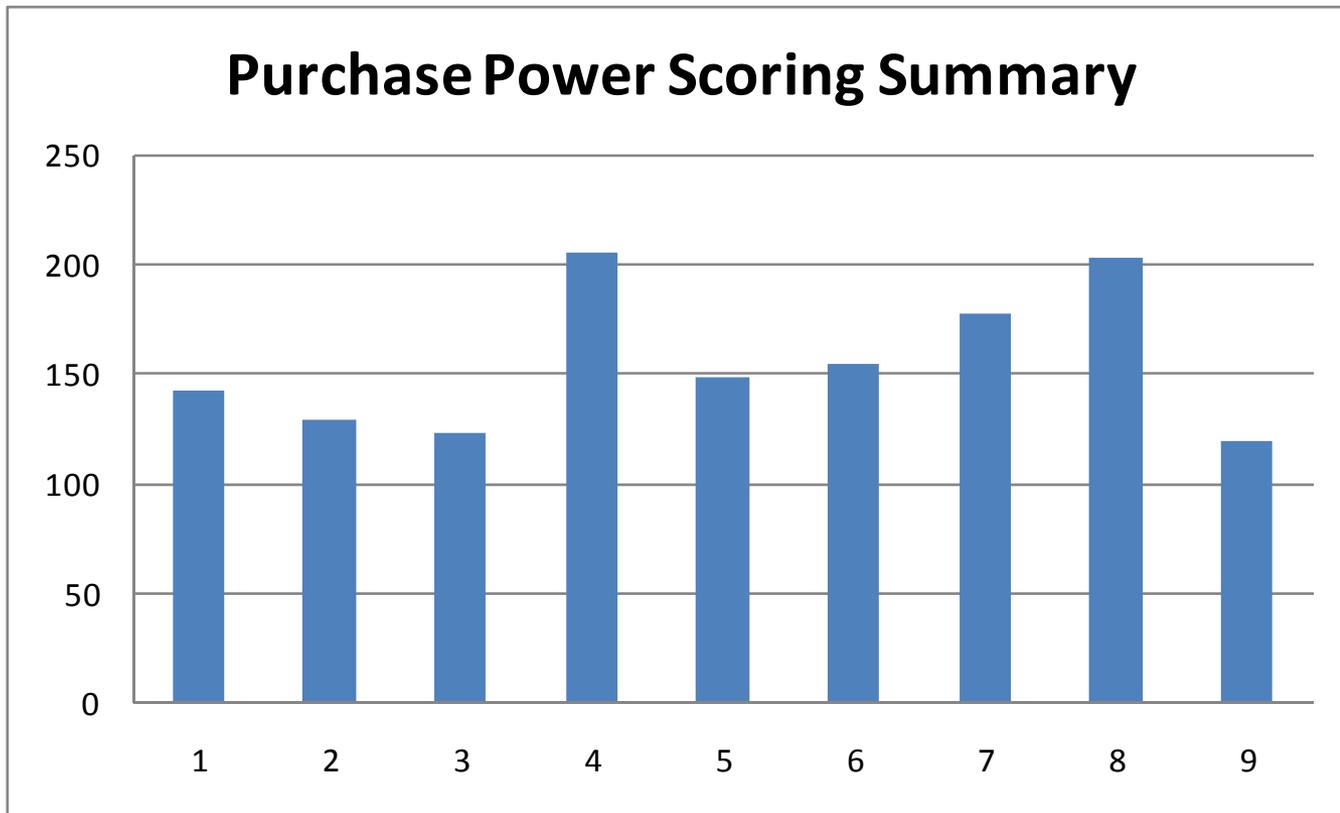


# Scoring Findings

- NPV Costs (continued)
  - Several of the Short Term Proposals have significantly lower prices than the Long Term offers
  - A strategy of transitioning from a short term deal to a long term deal appears to have significant advantages
  - Range of Carbon Costs significantly impact results
  - Scoring calculated from the average costs from the three Carbon cases
  - Range of scores: 14 - 50

# Findings Summary

- Scores range 119 to 205



# Purchased Power Proposals

## Recommended Actions

- Drop three bids from further consideration
  - Bid A
  - Bid B
  - Bid G
- Continue detailed due diligence with remaining Bidders
- Explore impacts of transitioning from Short Term Deals to a Long Term Deal with the remaining long term Bidders
- Ad Hoc Committee recommends bringing outside council into the process as soon as possible

# Plant Sale Proposal Evaluation

Evaluation Process  
and  
Scoring Results

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

November 11, 2009

# Plant Sale Scoring Overview

- The Proposals
- Scoring Categories
- Evaluation Process
- Findings
- Recommended Actions

# The Proposals

- Three proposals received
- One eliminated:
  - Proposed business plan concerns
  - Long term operations
  - Requirement to buy back the energy
  - Generation uncertainty
- Two remaining proposals
  - Both propose conversion to biomass

# Scoring Categories

- Financial Viability – 50 points possible
- Firmness in Business Plan for Sale of Power – 50 points
- Environmental Cleanup and Cost Sharing – 50 points
- Business Plan of Plant Usage – 40 points
- Experience in Development and Operation of Generation Facilities – 50 points
- Price – 10 points

# Evaluation Process

- Scoring performed by Ad Hoc Committee
  - Performed individually first
  - Final scoring determined by group discussion to reach consensus

# Plant Sale Findings

- Categories driving recommendation:
  - Environmental cleanup and cost sharing
  - Business plan of plant usage
  - Experience in development and operation of generation facilities

# Plant Sale Proposals

## Recommended Actions

- Number 1 bidder is Traxys
- Number 2 bidder is DTEES
- Inform both remaining Bidders:
  - Where they rank
  - Begin due diligence
- Ad Hoc Committee recommends bringing outside council into the process as soon as possible