

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRIC ADVISORY BOARD**  
**CITY OF ESCANABA, MICHIGAN**  
*Special Joint Meeting*  
*Wednesday, December 2, 2009*

Pursuit to a special meeting posted November 12, 2009, the meeting was called to order by the Mayor Gilbert X. Cheves at 6:03 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, John Mellinger, Don Racicot, and Tim Wilson.

Absent: None.

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), members of the public, and media.

**UNFINISHED BUSINESS** – None

**CONFLICT OF INTEREST** - None

**NEW BUSINESS**

**Update – Electric Department.**

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

Administration updated 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. Discussion topics included All Requirements Power Purchase proposal elimination(s), action to retain specialized legal services, and an environmental assessment update.

**Environmental Assessment**

- An Environmental Assessment Phase I, was completed by the County Brownfield Redevelopment Authority. Manager O'Toole advised all records were reviewed, and all visual inspections were made. A report was expected by early January, 2010;
- A Recommendation by the County Brownfield Redevelopment Authority was to complete a Phase II ground water environmental sampling. Manager O'Toole asked,

before any action was made, to wait until a Phase I report was completed and submitted to the City.

### **Specialized Legal Services Selection**

- Manager O'Toole stated RFP's were sent. Three firms that submitted proposals were reviewed by the Electric Ad Hoc Committee;
- The Electric Ad Hoc group met on December 1, 2009, and recommended the legal firm of Schiff/Hardin, LLC, to represent the City of Escanaba on future Power Purchase and the Sale of the Steam and/or Combustion Turbine Generation Facilities.

Electrical Advisory Board Member Brown moved, Electrical Advisory Board Member Arkens seconded, **CARRIED UNANIMOUSLY**, to recommend the legal firm of Schiff/Hardin, LLC, to represent the City of Escanaba on future Power Purchase and the Sale of the Steam and/or Combustion Turbine Generation Facilities.

Council Member Baker moved, Council Member Nelson seconded, to accept the recommendation of the Electrical Advisory Committee to move forward with the legal firm of Schiff/Hardin, LLC, for legal expertise on the City future Power Purchase and the Sale of the Steam and/or Combustion Turbine Generation Facilities.

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

Ayes: Baker, Nelson, Baribeau, Evans, Cheves

Nays: None

### **MOTION CARRIED.**

All Requirements Power Purchase proposal elimination(s) discussion was presented by Consultant Tom Butz of Power Systems Engineering (PSE). See Attachment – A.

After the presentation, the following was discussed:

- Follow actions as recommended by PSE;
- Needed to review short/long term proposal evaluation of Traxys North American;
- Needed further information from Great Lakes Utility before any decision was made;
- Answers would be available at the December 16, 2009, Joint meeting of the City Council and Electric Advisory Committee. At that meeting, a decision would be made regarding the All Requirements Power Purchase proposals.

Hearing no further public comment, or further reports from the Electrical Advisory Committee and Council, the meeting adjourned at 7:03 p.m.

Joint City Council & Electrical Advisory Minutes  
December 2, 2009 – cont.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

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

## Purchased Power Proposal Evaluation

### Digging Deeper

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

December 2, 2009

## Purchase Power Overview

- Focus on Remaining Questions
- Evaluate More Details
- No Cost Comparisons
- Disclosure of Party Names Evaluated
- Recommended Actions
- Ad Hoc Committee Continues Invaluable Input

## Proposal Update

- AEP
  - Previously Evaluated w/out Emissions
  - Emissions will be Involved
    - Assume MISO Average Emissions 60% Coal 40% Gas
- Traxys
  - No Emission Data Provided Yet
  - Continued Interest in starting at year 5
- WE Energies
  - Previous Work Raised Questions on Historic vs. first year Energy Rate Projection

## Proposal Update (Cont)

- Great Lakes Utilities
  - Formula Purchases at 100% Capacity Factor
    - Results in Lowest Average Cost
  - Upper Part of Load Curve is Served from Market
  - Hourly Stacking of Resources not modeled including Escanaba at This Point,
    - Concerns
      - Sales of energy in off peak at a loss of margins
      - Purchases of energy in high priced hours – higher priced
  - We have hourly data to evaluate resource stacking – GLU will also run hourly Model w/Escanaba

## Proposal Update(Cont)

- Great Lakes
  - Background information Received
    - Audited Financials
    - Charter Documents
- WPPi
  - No More Information Likely Available

## Top Proposals by Strategy

- Short Term ~3 years
  - AEP
  - WE Energies – Short term (3 yrs)
  - Great Lakes Utilities
- Long Term
  - Traxys
  - WE Energies
  - Great Lakes Utilities
  - Others?

## Actions

- Evaluation Updated AEP Numbers
- WE Energies Historic Evaluation
- GLU – Load shape analysis and stack of resources, with market energy balance
- Traxys – Evaluate Emissions Impact on Costs
- Update Cost Comparison Graphs

## Attorney Selection Evaluation

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December 2, 2009

## Firms Considered

- Dickinson Wright PLLC
- Dykema Gossett PLLC
- Schiff Harden LLP

## Dickinson Wright

- Locations
  - Five MI locations (Lansing, Ann Arbor, Bloomfield Hills, Detroit, Grand Rapids) Nashville, Phoenix, Toronto, Washington DC
- Represents Michigan Public Power Agency
- Experience in acquiring and financing multiple Plants
  - Consumer Energy's Cambell Plant
  - DTE Belle River Plant
  - CT near Traverse City
- Involved in Michigan Act 295 Compliance
- Purchase Power Experience? Environmental ?

## Dykema Gossett

- Locations
  - 3 MI offices Detroit, Lansing, East Bloomfield, Chicago, Los Angeles, Washington
- Experience in Asset Sales and Purchase Power Contracts
- Involved with Recent Sale of Edison Sault to Cloverland
- Represented Purchaser of Biomass Plant in CA
- Environmental Experience?

## Schiff Harden

- Locations
  - Atlanta, Boston, Chicago, Lake Forest, New York, San Francisco, and Washington
- Involved with Generation Acquisitions and purchase power representation
- Wide Range of Experience Areas including environmental issues
- Clear identification of main contact and team

## Method of Evaluation

- Each party provided a proposal
- Project Descriptions, Resumes and Billing Rates Included
- Phone Discussions with Parties
- Ad Hoc Discussion 12/1/2009
- Recommendation Made From Ad Hoc Committee

## Next Steps

- Notify Firm
- Conflict Checks Made
- Provide Information on RFP and Proposals
- Begin Drafting Letter of Intent to Sell Plant
- After December 17 Meeting
  - Start Plant Sale Process