

OFFICIAL PROCEEDINGS
CITY COUNCIL
ELECTRIC ADVISORY BOARD
CITY OF ESCANABA, MICHIGAN
Special Joint Meeting
Wednesday, December 16, 2009

Pursuit to a special meeting posted November 12, 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, John Mellinger, and Don Racicot (arrived at 6:12 p.m.)

Absent: Tim Wilson.

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

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

Administration updated City Council, the 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 will include, but not be limited to:

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

The Electrical Advisory Ad Hoc Committee advised over the last few days, they had met with various vendors who submitted proposals for short and long term Power Purchase Proposals.

Consultant Tom Butz of Power Systems Engineering (PSE) presented a Purchased Power Proposal Evaluation power point presentation (See Attachment – A.) The presentation concluded with the following recommended actions:

- Request Initial Confirmation Drafts from Top Two Short Term Parties
- Initiate Discussions with Top Purchase Power Entity
- Work Toward Finalizing Purchase Power Contract Documents
- Make Final Comparison of Pricing
- Recommendation of Party
- Initiate Bridge Purchase Discussions

Board Members reviewed in detail with Mr. Butz, Short term vs. Long term Power Purchase strategies.

After further discussion, it was the consensus of the Council and Electrical Advisory Committee to continue with recommended actions and discussions with the Power Purchase Proposals.

Legal Services Update - Public Hearing Update – Plant Sale.

City Manager O’Toole advised the legal agreement with Schiff/Hardin, LLC, was executed and in place. The Council Meeting of December 17, 2009, included a public hearing on the sale of the Escanaba Power Plant with Traxys North America as the primary purchaser and DTE Energy Services as the alternate purchaser, and Administration sought Council authorization to have a letter of intent to negotiate drafted and presented to Traxys North America.

Environmental Assessment Update.

Phase I Environmental Assessment was expected to be received after January 1, 2010.

GENERAL PUBLIC COMMENT - None

COUNCIL/COMMITTEE, STAFF REPORTS

The next joint meeting of City Council and Electrical Advisory Committee was scheduled for January 13, 2010.

ADJOURNMENT

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

Respectfully submitted,

Robert S. Richards, CMC
City Clerk

Approved: _____
Gilbert X. Cheves

Purchased Power Proposal Evaluation

Further Evaluation and Recommendation

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

December 16, 2009

Presentation Overview

- Top Three Short Term Providers Discussions
- Update On Proposal Information
- Reliability Discussion
- Power Supply Timeframes
- Strategy Questions Considered
- Strategy Summary
- Actions

Top Three ST Discussions

- Meetings
 - Tuesday AM - AEP
 - Tuesday PM - WE Energies
 - Wed AM - Great Lakes Utilities
- Provided Valuable Information Exchange
 - Updated Provider Proposal Assumptions
 - Understanding Recent Transfer to MISO
 - Understand Provider Capabilities

Update on Proposals

- AEP
 - Ancillary Services Costs to Be Included
 - Carbon Impact Included
 - Assume MISO Average Emissions 60% Coal 40% Gas
- WE Energies
 - Update on Delivery Costs
 - 90% of Costs from WEC.S to WEC.N maxed out at \$3/MWh
 - Load Included in WEC.N, so 0 \$/MWh for 10% Weighting at North Node.

Proposal Update (Cont)

- Great Lakes Utilities
 - Cost impact of Market Purchases
 - MISO Purchases 12% of total Load
 - Purchase Power Rate – \$33.42/MWh on Peak \$11/MWh off peak
 - Assume 100 \$/MWh on peak and \$50/MWh off peak
 - Increases Costs by \$4-5/MWh for Escanaba
- Conclusions
 - Two Parties – Costs are very close – one party higher – Costs are not only driver in decision

Reliability Discussion

- Real Time Delivery of Electricity
 - Generation matches Load Every Instant
- Two Main Types of Outages
 - Distribution System
 - Transmission System
- Outage Footprints
 - Local Area – Distribution or Transmission
 - Larger Area – Defined as Blackout

Reliability Discussion (Cont)

- Purchase Doesn't Change Transmission System
- ATC has already implemented Northern Umbrella Plan
- ATC is planning on local improvements
- Local Generation Provides Means of Providing Electricity when Transmission supply is down
 - Very small percentage of time
 - Performance is expected to improve with new additions

Power Supply Timeframes

- “Bridge”
 - Now to Time Plant is Sold - Pricing - Market Based
- Short Term
 - Begins at time Plant Sold – 3-5 years
 - Pricing
 - Market or Discounted Formula
 - Opportunity
 - Based on Party Willing to Sell – no long term guarantee
- Long Term
 - Beyond Short Term
 - Pricing
 - Limited Market, mostly Formula Based Approach
 - Opportunity
 - Based on Available Capacity – Very Likely Available

Strategy Questions Considered

- How Can The City Have Long Term Power Supply?
 - Both Short Term and Long Term Alternatives
- Will Short Term Purchase Decision Reduce Long Term Options?
 - Possibly reduce low carbon strategy purchase
- How Long Should Short-term Purchase be Pursued?
 - Continue as long as prices are lower than formula based approach long term purchases

Summary of Strategy

- Pursue Power Supply Agreement
 - Take Advantage of Current Market Conditions
 - Top 2 entities considered
 - Term - 3-5 years
 - Draft Confirmation Agreements
 - Top entity will be determined as result of negotiations
- Pursue Bridge Power Supply Purchase
 - Months before Sale of Plant
 - Take Advantage of current market conditions

Actions

- Request Initial Confirmation Drafts from Top Two Short Term Parties
- Initiate Discussions with Top Purchase Power Entity
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- Recommendation of Party
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