



Electric Advisory Committee
MEETING AGENDA
Meetings: 2nd Wednesday of Month
6:00pm

Ronald Beauchamp-Chairman
John Mellinger-Vice Chairman
Larry Arkens, Committee Member
W.A. "Pete" Baker, Committee Member
Ann Bissell, Committee Member

Glendon Brown, Committee Member
Tim Wilson, Committee Member
Michael Furmanski-Electric Superintendent
Gilbert X. Cheves- City Council Liaison

City Hall-410 Ludington Street-Room C101 - Escanaba, MI 49829

Electric Advisory Committee

Wednesday, April 8, 2009, 6:00pm

CALL TO ORDER

ROLL CALL

APPROVAL/CORRECTION(S) TO MINUTES

Minutes from 03/11/09 meeting

Minutes from 03/18/09 special meeting

APPROVAL/ADJUSTMENTS TO THE AGENDA

CONFLICT OF INTEREST DECLARATION

UNFINISHED BUSINESS-NONE

NEW BUSINESS

1. Update-Electric Department

Administration will provide an overview and status report on activities and issues concerning the Electric Department including current coal issues.

2. Update-Power Plant

The Escanaba Generating Plant operator will provide an overview and status report on activities and issues concerning the Power Plant.

3. Presentation Potential Plant Purchasers

The City of Escanaba received 3 (three) proposals to purchase the power plant on January 16, 2009. These three parties have been invited to make a presentation to the EAC explaining their planned use for the plant.

4. Announcement-Power Plant Forum

There will be a Power Plant forum hosted by the League of Women Voters on April 30th in the City Council chambers.

GENERAL PUBLIC COMMENT

ANNOUNCEMENTS - COMMITTEE MEMBERS/ADMINISTRATION

ADJOURNMENT

The City of Escanaba will provide all necessary, reasonable aids and services, such as signers for the hearing impaired and audiotapes of printed materials being considered at the meeting to individuals with disabilities at the meeting/hearing upon five days notice to the City of Escanaba. Individuals

ELECTRIC ADVISORY COMMITTEE
03/11/2009

The regular meeting of the Electric Advisory Committee was called to order at 6:00pm by Chairman, Ron Beauchamp, in Room 102 of City Hall.

Present: Larry Arkens, Ron Beauchamp, Ann Bissell, Glendon Brown, Tim Wilson

Absent: Pete Baker, John Mellinger

Also Present: Mike Furmanski-Electric Superintendent, Leo Evans-Council Liaison (substituting for Gil Cheves)

Approval/Corrections to the Minutes:

A motion was made by Arkens to accept the minutes of the February 11, 2009 regular meeting as presented. The motion was supported and CARRIED UNANIMOUSLY.

Approval/Adjustments to the Agenda:

Furmanski said he had 2 items to add that he had put in with the packets. He wasn't sure if they wanted to make them new agenda items or just discuss them at the meetings end during staff comments. He said no recommendations or motions would have to be made from these 2 items. Beauchamp said he could just talk about them in his departmental update if he wanted. Furmanski said that would be fine

Motion was made by Wilson to approve the agenda as presented. The motion was seconded by Arkens and CARRIED UNANIMOUSLY.

Conflict of Interest Declarations:

None

OLD BUSINESS:

None

NEW BUSINESS:

Update-Electric Department

Furmanski reported the following for the Electric Department Update:

New Development: the following work has been started and/or completed:

- a. New service on Landfill Road
- b. Sheridan Road lights

Distribution System Upgrades/Maintenance: the following upgrades or maintenance needs have been completed on the electrical distribution system:

- a. Tree Trimming
- b. Pole numbering
- c. Water Thaws

Furmanski provided members with the NYMEX Look-Alike coal price index which shows coal prices still dropping, and down in price to what it was a couple of years ago. The power supply timeline was once again given to members so they could continue to see where we are in the process.

Furmanski went on to go over the memo members had been e-mailed regarding P.A. 295 of 2008 – the “Clean, Renewable, and Efficient Energy Act”

On October 6, 2009, Governor Jennifer Granholm signed into law Act No. 295, of P. A. 2008, as amended. Under the law, two (2) major components require the City of Escanaba to initiate a renewable energy plan and an energy optimization plan. Both components of this act require that the City of Escanaba develop plans which comply with both provisions and file a written plan with the Michigan Public Service Commission no later than April 3, 2009.

In an effort to address and understand the requirements, he offered the following information to EAC members:

Renewable Energy (RE) Component Key Points:

- 1) Electricity providers must meet renewable energy requirements of:
 - a) 2% by 2012
 - b) 3.3% by 2013
 - c) 5% by 2014
 - d) 10% by 2015 and beyond

Brown commented that as he understood, all the providers who responded to our RFP's said that they were able to meet these requirements. Furmanski said yes, as they all had Renewable Portfolio Standards in effect at this time.

- 2) To pay for the incremental cost of this renewable energy, providers are allowed to charge:
 - a) Residential customers up to \$3.00/meter/month
 - b) Commercial customers up to \$16.58/meter/month
 - c) Industrial customers up to \$187.50/meter/month

Right now, Furmanski commented that we have over 6,000 residential customers, 1100 commercial customers and 38 industrial customers.

- 3) A provider can meet the RE requirements by:
 - a) Generating renewable energy
 - b) Buying RECs (Renewable Energy Credits) with or without the associated energy

- 4) Municipal providers must submit their RE plan to the MPSC by April 3, 2009
- 5) A public hearing is required for all RE plans
- 6) 30 day comment period after plan is posted
- 7) MPSC will approve or disapprove RE plan within 90 days of filing
- 8) MPSC will review RE plan every 2 years thereafter
- 9) Charges must be itemized on customer's bill
- 10) The plan may be modified after the original filing

Escanaba Options for the Future:

In order to meet the April 3, 2009, state imposed deadline, the City of Escanaba will file a plan that will be based on the premise that we will continue to own and operate the Escanaba Generating Station. Our RE plan will spell out our plans to burn as much biomass as needed to meet the RE requirements for each year. Additionally, we have proposed up to 20% biomass be allowed in our Renewable Operating Permit application. This application was sent to the MDEQ in December, 2008.

Should the plant be sold or leased in the future, we would require our wholesale energy provider certify in writing that they are supplying Escanaba with the percentages of renewable energy as required so that we can demonstrate compliance with the RE requirements of Act No. 295, of P. A. 2008, as amended.

The City of Escanaba is currently working with the Michigan Municipal Electric Association and the Michigan Public Power Agency on creating our RE plan. We have filed our notice of intent to create a plan with the MPSC. A public hearing on Escanaba's RE plan is scheduled for April 2, 2009 at 7:00 p.m. in room C101 of City Hall. There are approximately 20 Michigan Municipal Electric Utilities working together on RE plans. Costs have not been established yet but are estimated to be less than \$5,000. By having the MMEA and the MPPA involved with all these RE plans, it is expected that costs will be reasonable.

With respect to energy optimization, he offered the following:

Energy Optimization (EO) Component Key Points:

- 1) Electricity providers must meet energy optimization requirements of:
 - a) 0.3% of 2007's sales for 2008/2009
 - b) 0.5% of 2009's sales for 2010
 - c) 0.75% of 2010's sales for 2011
 - d) 1.0% of previous year's sales for years 2012 – 2015
- 2) To pay for these EO plans, providers are allowed to charge up to:
 - a) 2.2% of residential sales from previous year on a volumetric basis
 - b) 2.2% of commercial sales from previous year on a per meter basis
 - c) 1.7% of industrial sales from previous year on a per meter basis

- 3) The maximum charges will be phased in over time as a percentage of total sales. The percentages in (2) above will be limited by year to:
 - a) 0.75% cap for 2009
 - b) 1.0% cap for 2010
 - c) 1.5% cap for 2011
 - d) 2.0% cap for 2012

- 4) The EO plan will have 3 distinct phases. Each phase will require Escanaba to hire a consultant. The phases are:
 - a) Design an EO plan – Escanaba has signed on with MECA
 - b) Implement the EO plan
 - c) Assess the EO plan after some time period has passed to measure the plan's effectiveness
 - d) NOTE – Ph 1 and Ph 2 may be the same consultant, but Ph 3 must be a different consultant

- 5) Municipal providers must submit their EO plan to the MPSC by April 3, 2009
- 6) A public hearing is required for all EO plans
- 7) 30 day comment period after plan is posted
- 8) MPSC will approve or disapprove EO plan within 90 days of filing
- 9) MPSC will review EO plan every 2 years thereafter
- 10) Charges must be itemized on customer's bill
- 11) The plan may be modified after the original filing

Escanaba's Options for the Future:

The City of Escanaba has already made some preliminary filings with the MPSC. Also, the City of Escanaba is working with the Michigan Electric Cooperative Association and Morgan Marketing Partners on creating our EO plan. Lastly, we have filed our notice of intent to create a plan with the MPSC. A public hearing on Escanaba's EO plan is scheduled for April 2, 2009 at 7:00 p.m. in room C101 of City Hall. Approximately ten (10) Upper Peninsula Municipal Electric Utilities are working together in developing their plans so that there is similarity among plans. Escanaba's cost for developing an EO plan is \$3,384. It is anticipated that there will be additional costs associated with the filings to the MPSC. Total costs should be less than \$5,000 for phase 1 of our EO plan.

It is unknown at this time if Escanaba will be given credit for the CFL giveaway in 2007 or the appliance rebate program from 2008.

Brown asked how performance was measured. Furmanski said that with the energy optimization program, there are 3 parts. First you have the designing of a program using one consultant, then once it is designed, you have a new consultant to help with the implementation of it. When the program is complete, you then have a third consultant who comes in and works with the results to show how things have worked out. They would show the verification of savings. Brown then commented that the appliance rebate program that the city is now doing is part of this plan. Furmanski said it was and has

been told that any program run in 2008 can be used towards this energy optimization plan. Escanaba issued rebates to 47 households for approximately \$5,000 through the appliance rebate program, and this program has now ended. Furmanski did say in 2007 we issued approximately 1,000 CFL lightbulbs and is trying to get this program to be included also, but has not heard from the Michigan Public Service Commission on this matter.

Furmanski said the RPS subcommittee would be meeting on this on Friday morning and go over it further.

Furmanski then updated EAC members on the MDEQ Continuous Opacity Monitoring System Audit as follows:

On or around January 25, 2008, the City of Escanaba was served with a MDEQ Letter of Violation stating the Escanaba Generating Station was in violation of the Plant operating permit in that the monitoring and recording of opacity emissions from boiler #1 and #2 were not conducted properly on a continuous basis. The letter of violation stated that a routine emission audit was conducted on December 11 and 12, 2007 and the audit revealed a failure to properly perform daily calibrations, and that opacity monitors for boiler #1 and boiler #2 had been operating out of control for an uncertain period of time, possibly dating back to January 2002.

As a result of the letter of violation, the City of Escanaba was required to provide a written explanation of the cause of each violation cited including description of remedial actions taken, what steps were taken to prevent a recurrence of the violations and what procedures had been implemented or other actions that were taken or the City will take to prevent a future issue. On February 14, 2008, the City of Escanaba, responded to the MDEQ asserting that a technical compliance plan had been implemented to resolve the violations.

Nonetheless, the MDEQ, pursuant to the federal Clean Air Act and Part 55, Air Pollution Control, of the Natural Resources and Environmental Protection Act, put the Escanaba Generation Plant on the EPA's High Priority Violators list. Because of that action, the City of Escanaba, through our Plant Operator and an attorney from Miller, Canfield, Paddock and Stone, P.L.C. has been in constant contact with the MDEQ so that the matter could be resolved. As a result of those contacts, the MDEQ is requiring the City of Escanaba, as the plant owner, enter into a stipulation for entry of final order by consent. Under the terms of the order, the proposed penalty is \$45,500, which the Plant Operator has agreed to pay. In addition, there are stipulated penalties for any future violations, which would be the City's responsibility. Also, the consent order would remain in effect for a minimum two (2) years after which time the City could petition the MDEQ to terminate the agreement. Lastly, the Plant Operator has agreed to pay for half of the attorney costs provided the City of Escanaba pay half of the attorney costs. Currently, the figure is estimated to be \$64,000. With the City share not to exceed \$32,000.

He gave the following timeline of events as they pertain to the opacity notice:

December 11 - 12, 2007. During a MDEQ Inspection of the power Plant on December 11 and 12, 2007, it was discovered that opacity monitor's daily self-calibration operation had been operating improperly on both units, possibly since January 2002.

December 11 - 12, 2007 (on or around). Immediately following the MDEQ visit on December 11 and 12, 2007, UPPCO contacted a vendor representing the Continuous Opacity Monitoring System (COMS) installed at the plant and a third party calibration firm. This initial effort determined the problem required input from the equipment manufacturer. After several phone discussions with the equipment manufacturer, it was determined that an on-site visit was required to troubleshoot unit #2. The problem on unit #1 was found to be an incorrect OPLR adjustment factor that was entered on July 9, 2007. This error was corrected on January 29, 2008 and the COMS passed the daily self-calibration on January 30, 2008. On January 31, 2008, a service technician from the COMS manufacturer arrived on-site to troubleshoot unit #2. It was determined that the COMS on unit #2 had a faulty power supply, which was replaced. Unit #2 passed a self-calibration test on February 1, 2008.

January 25, 2008. As a result of the self-calibration failure, a letter of violation was issued by the MDEQ on January 25, 2008, asking the City what steps would be taken to correct the violation and requested various forms of documentation from the Plant Operator.

February 1, 2008. The City was informed on February 1, 2008 that UPPCO had retained Miller, Canfield, Paddock, & Stone, PLC as representation for interfacing with the MDEQ on this matter. Miller Canfield has represented the City before, and requested that the City sign a conflict waiver due to them representing both the City and UPPCO.

February 14, 2008. A response letter to the MDEQ request was compiled and sent to the MDEQ on February 14, 2008. In this letter, the repairs made were outlined and all requested documentation was submitted.

March 26, 2008. The MDEQ sent a letter requesting additional information on 9 (nine) points of inquiry to assess the compliance of the facility.

April 16, 2008. The additional information regarding 7 of the 9 points of inquiry MDEQ requested was supplied to them by the City and UPPCO.

May 23, 2008. The additional information on the remaining 2 points of inquiry was supplied to the MDEQ by the City and UPPCO.

June 20, 2008. The MDEQ issued an Enforcement Notice which informed the City that these violations have resulted in the commencement of formal civil and/or administrative proceedings pursuant to the federal Clean Air Act.

July 30, 2008. The City of Escanaba and UPPCO met with representatives from the MDEQ in Lansing. At this meeting, the plant operator expanded on the answers that had been provided to the questions and points of inquiry requested by the MDEQ. The

MDEQ provided a *draft* Administrative Order by Consent (AOC) for review by the City and UPPCO, and asked for a response by August 14, 2008. As the response was being formulated, it became clear that more time was needed, so the MDEQ was asked for an extension to August 28, 2008. The MDEQ was agreeable to the extension request.

August 28, 2008. A response letter was sent to the MDEQ which contained corrections to some typos, etc., as well as some suggested changes to the *draft* AOC.

October 3, 2008. The MDEQ issued their second *draft* AOC.

October 24, 2008. The City of Escanaba forwarded their comments/concerns which were made part of the response to the MDEQ.

February 20, 2009. The MDEQ issued their third *draft* consent order.

March 9, 2009. The City of Escanaba forwarded their comments/concerns which were made part of the response to the MDEQ.

March 10, 2009. The MDEQ issued their fourth *draft* consent order, which is under consideration as becoming a final consent order.

Bissell questioned the stipulated penalties for any future violations being the responsibility of the City. If it is operator error, why should the City pay? Furmanski said it is a fuzzy issue, but it has been agreed to with UPPCO at this time. He said more things will be hashed out in the operating agreement. Brown questioned if the stipulated penalties for future problems involved only opacity matters or was it broader than that. Furmanski reported that it was broader than that. Brown cautioned that the city be very careful with that cause should there be further problems in the future, they were be no further discussion, just payment of penalties.

Beauchamp questioned the coal contract and the possibility of the City getting out of its current contract as the NYMEX Look-alike trend shows coal prices going down. After discussion amongst committee members a *Motion was made by Wilson to have Furmanski investigate the possibility of canceling the current coal contract and re-negotiate a new contract to reflect the present reduction in coal prices. The motion was seconded by Bissell and CARRIED UNANIMOUSLY*

Wilson questioned in this whole opacity matter why it turned out to be a bigger matter that what was originally thought. Furmanski reported that in the 5 year time frame involved, a majority of the time we were over reporting our opacity and also had very few exceedences. The problem with this is that in our operating permit, it says we must maintain in good working order. Whether high or low, we were wrong, so we got hit on that point. Also, in the semi annual and yearly reports, we were stating that we were properly calibrated and we were not, so they hit us on that point. As far as we know, no damage was done to the environment. The problems were more just procedural. Wilson went on to question who was responsible for the calibration of the meter, the City or UPPCO, it has to be one or the other. Furmanski responded that in his eyes it is UPPCO.

At this point Wilson asked why we were paying for half of the attorney fees. Furmanski commented that ultimately the City owns the plant. Wilson said they run it for the City and are being paid to run it, they should be responsible. He felt we should not have even had to hire an attorney for the matter and then to ultimately share the same attorney with UPPCO was wrong. Furmanski reported that in the DEQ's eyes, we were responsible because we own the plant. A waiver for the conflict of interest with the attorney, Miller-Canfield, was signed prior to this matter being taken on by them. The sharing of the attorney fees is the part the City is paying for, UPPCO is paying all the fine.

Furmanski said the matter is going to Council at next weeks meeting. Wilson said by the City agreeing to pay for half of the attorney fees, he felt they were giving in and saying they were partially to blame for the matter and he did not feel it was right. He asked who had agreed to pay half. Furmanski said a small group of people within the City made the agreement when it was put out there by UPPCO. Wilson thought maybe a recommendation should be put to Council that we not pay this. Furmanski said that with the present operating agreement, it really was not clear who is responsible. The offer when accepted, was not the first offer put out by UPPCO. The first offer had been shot down. Wilson asked what the first offer was and Furmanski said they wanted to split all costs 50-50.

Brown commented that if we are going to be negotiating a operating agreement in the future with UPPCO, we need to be very specific in detailing responsibilities in matters surrounding them running the plant and our ownership. As owners, we have very little responsibility.

Update-Power Plant

Jerry Pirkola, Plant Superintendent, was not at the meeting due to the maintenance shutdown at the plant. He forwarded the Escanaba Generating Station Actual vs Budget Plant Report as well as the following update:

The Unit 1 maintenance outage began on Monday evening, March 9, 2009 approximately 36 hours sooner than planned. A coal conveyor chain feeding one of the stokers broke. Rather than take the time to replace it only to remove it two days later, it was decided to begin the outage. Peak power prices have been reasonable in the \$50 to \$70 range and off peak \$10 to \$30.

Unit 1 tripped off-line on February 7 for 20 minutes. The trip may have been caused by a ground fault alarm that occurred in the exciter. There were no outages within the City as a result of this trip.

As of the end of February, approximately 35,000 tons of coal remained on the dock.

The O&M budget is attached. O&M costs are in the typical range. Fuel costs are lower than expected because we purchased more economical power than the estimate. Also, A&G costs were trued up in January favorably for the budget. Year to date the Plant overall operating costs are currently under budget.

In the past year we saw higher O&M costs in May and November. These higher costs show up twice per year because of the two week pay period. Two months per year have three pay periods, the rest have two.

The Combustion Turbine did not operate in January or February.

Brown asked when Unit #1 would be back up. Furmanski replied it would be up on the 23rd. Unit 2 would go down on the 20th and up on May 4th.

Furmanski said this year there will be the inspection of both stacks and the relining and metalwork on stack #2.

Baseline Environmental Assessment-Keller

Furmanski reported that as the City has examined various power supply options, it has become apparent that a Baseline Environmental Assessment (BEA) will be needed if the plant is sold. City Assessor, Elizabeth Keller provided the details of the BEA process.

Keller said along with the BEA a preliminary environmental assessment will need to be done also which includes two (2) phases. Phase 1 involves the history of the property and also the likelihood of any contamination. Phase 2 involves the causes of the contamination. The Baseline Environmental Assessment determines the site and the extent of the contamination. This is where the geological engineer gets into the soil and does testing and gets into what type and degree or level of contamination exists. This process is used primarily when you are transferring ownership of a potentially contaminated property. It protects the purchaser. The BEA will indemnify a purchaser of property from contamination that exists prior to the purchase of the property.

Keller advised members that at this time, they are still a ways away from a BEA. She said each assessment is dated. There is a limited time period that these have to be used, normally 120 day time frame.

Brown questioned Keller if that area would be eligible to be looked at as part of the renewable energy renaissance zone should the plant and the buyer wants to convert it to biomass. Keller said she would look further into it for the committee.

Bissell asked how long it would take to do a Phase 1 and Phase 2 assessment. Keller said it would be just a matter of a few months to do all three-Phase 1, Phase 2 and BEA.

Public Outreach Offer

Furmanski reported that at this time he is still looking for groups to talk with. He said he went to the Golden K (Kiwanis) meeting last week and on the 23rd he is scheduled to talk with the Noon Kiwanis. He said he is still looking for groups to talk to.

Beauchamp commented that there are still a lot of citizens out there that do not know about the May 5th ballot issue. He asked about the possibility of the City possibly renting

a few billboards around town to get the message out further. Furmanski advised that there would be a public relations subcommittee meeting on Friday and entertained any ideas the committee would have. Brown and Baker are on the committee and there is room for one more to attend if they wish. Other ideas passed around were putting the powerpoint presentation on webpage and city website with audio, and also possibly the billboard idea with the election date and website information.

Update-Conservation Program

Furmanski mentioned that he had touched upon it during the energy optimization portion this evening and that the program is now done. It is considered a success. Bissell questioned if there would be money in the next budget to continue with something similar. Furmanski said the past 2 years, \$5000 had been put in to the regular department budget to cover the programs and now he is unsure how it will work with the implementation of the new energy optimization program.

Update-Power Systems Engineering Contract

Furmanski gave the following report to members:

On October 16, 2008, Power System Engineering Services of Madison, WI was retained to provide professional services to analyze and compare wholesale power purchase proposals that were tendered to the City of Escanaba. The contract was approved in an amount not to exceed \$15,900.00.

In the course of the review process, through the Administration and Electrical Advisory Board, the scope of the work changed which in turn caused the cost of the service to increase. Changes included additional trips to Escanaba for special Electrical Advisory Committee meetings, additional teleconferences with the Escanaba Administration and Sub-committees of the Electrical Advisory Committee, and a more detailed and complicated analysis of the transmission system to determine how Escanaba would be impacted if local generation was removed, reduced, or dispatched differently. Additionally, several additional meetings and phone conferences with various parties providing proposals were conducted so that information in their proposals could be clarified and more accurately analyzed and reported back to the community.

As of February 24, 2009, the City of Escanaba has been billed for \$35,697.19 for work directly related to this project. For that reason, Administration is seeking a recommendation to approve an additional \$19,797.19 so that this portion of the review process can be closed. Although not specifically detailed in the current operating budget, funding for this type of work has been included in the current operating budget.

In a somewhat related matter, Power System Engineering was retained to assist Escanaba with the Plant Purchase Proposals in an amount not to exceed \$35,000. To date, bills totaling \$34,183.37 have been paid. Being there is somewhat of a lull in activity on this project while waiting for the May 5 vote, I believe now is a good point to stop this phase of this project. However, depending on the vote of the people on May 5, 2009, the next

phase could need to be implemented immediately. On February 11, 2009, the Electrical Advisory Committee recommended the City Council authorize the Administration to continue discussions with power purchase providers. Also, while not part of a specific motion, the idea of having potential plant purchasers come to an Electrical Advisory Committee meeting for direct discussions was mentioned. On February 19, 2009, the City Council also authorized Administration to continue discussions with power purchase providers.

The depth of Power System Engineering's future involvement with the Escanaba energy supply plan will be influenced by the results of the May 5, 2009 vote. For the months of March and April, it is expected that little work if any, will be needed from them. If the vote results in City Council being granted the authority to sell, lease or dispose of the plant and up to 40 acres, there will be much work to be done in further conversations with all parties involved. If City Council is not granted the authority to sell, lease or dispose of the plant and up to 40 acres, it is expected that little work will remain for Power System Engineering after May 5, 2009 on this project.

In the meantime, a corrective measure has been put in place which tracks and monitors payments for services rendered. Effective immediately, along with all billing statements, the vendor will be required to show on the invoice what work has been completed to date, how much funds have been spent and what the outstanding balance is. Additionally, should the vendor need additional funds, a change order in the scope of work will be required and must be pre-approved before any further work is started.

Furmanski advised members that he is looking for a recommendation to Council to square up on the bills thus far to date. Brown made a *Motion to recommend to Council that they pay the outstanding portion of the bills to PSE and then that Council and Administration put an upper limit cap on the amount they want to spend on the additional work coming in March and April leading up to the election. The motion was seconded by Arkens and CARRIED UNANIMOUSLY.*

Beauchamp suggested that regardless of how the vote goes on May 5th, it might be a good thing to have PSE involved with the UPPCO contract renewal that is coming up. Furmanski said PSE had not been involved to date, but yes it would be a good thing to have them involved in the matter.

Subcommittee Reports

Furmanski reported the only subcommittee meeting that had taken place was with Brett French from ATC on transmission issues. The meeting involved Furmanski, Brown, French and Tom Butz called in. French laid out options to look at such as point to point partial requirements. In the short term point to point, if upgrades were needed, we would have to pay for them upfront; but if we went long term point to point and upgrades were needed ATC would put that down. He did not define short term and long term. Brown took away from the meeting is the decision that the City is going to have to make and say how much load they are going to declare on the system. Right now, most of our load is behind the meter. Brown felt this was a long term issue that needed more study and

clarification along with cost calculations that he was able to somewhat look at after French volunteered a number during discussions that took place.

Public Comment

Don Racicot came to the podium to clear up questions he had with the Energy Optimization Program that he had with regards to hiring of 3 different consultants and if this was a yearly thing and how it worked in to the department budget

Leo Rahoi commented on who would be doing the meetings for the public. He felt both sides of the issues should be presented so people are fully informed. He felt more information and facts should be put in the paper. He also felt that not enough attention was being given to wind.

Committee/Staff Comments

Furmanski asked if the committee wanted to bring in the companies interested in buying the plant to the April meeting or have a special meeting. Arkens asked if this would be premature before the May 5th election. Brown felt that they could be invited to the meetings and told we are just looking for a brief, maybe 15 minute timeframe, overview of what they propose for the plant. It was agreed upon that the invitation could be extended to the companies.

Meeting adjourned 7:30p.m.

APPROVED:

RON BEAUCHAMP, CHAIRMAN

MIKE FURMANSKI, ELEC. SUPT.

ELECTRIC ADVISORY COMMITTEE

03/18/2009

The special meeting of the Electric Advisory Committee was called to order at 6:00pm by Chairman, Ron Beauchamp, in Room 102 of City Hall.

Present: Larry Arkens, Pete Baker, Ron Beauchamp, Ann Bissell, Glendon Brown, John Mellinger, Tim Wilson

Absent: None

Also Present: Mike Furmanski-Electric Superintendent, Gil Cheves-Council Liaison

Approval/Adjustments to the Agenda:

Pete Baker made a *Motion to adjust the agenda so there could be public comment before the discussion of the issue by committee members. Motion was seconded by Bissell and CARRIED UNANIMOUSLY.*

Conflict of Interest Declarations:

None

OLD BUSINESS:

None

NEW BUSINESS:

Public Comment

Chairman Beauchamp opened up the meeting to general public comment regarding the power plant referendum.

Brad Mantela, Dobber's Pasties, came to the podium and thanked the committee for the hard work and all the information that was put out there for the public to make a decision. He encouraged the committee, in what ever way was best, to form a statement or an opinion on where the committee stands on the issue so the public knows how they feel, and to possibly alleviate any confusion. He felt it important that the public know the committees feelings on the future of the plant and the power needs for Escanaba.

Member Mellinger asked Mantela how he heard about the special meeting on such short notice and Mantela said he has kept abreast of the situation and does follow the City's webpage for information. Mantela expressed concern for the transient population who will be returning in the next month. He hoped they too kept informed on the situation through the website. He questioned what kind of information was still going to be put

out there for them through the next month and a half so that when they step into the voting booths, they could base their decision on being educated and informed, and not just following their emotions. Mantela said he is not hearing a lot of talk in the community on the issue and he is fearful that people will be voting from the heart. He felt it is still important for the committee to continue to keep informing people up to the time of the vote.

Mellinger mentioned to Mantela that John Anthony was forming a group to get the word out to the voters. He asked Mantela if he was involved with this. Mantela said he heard that this was happening and would be inclined to join in on the matter.

Brown asked Mantela what he has done to keep being informed on the matter. Mantela said he follows the City websites which includes the energy website, reading, community groups and just being a concerned citizen.

John Anthony, citizen, approached the podium. He said a thought that he wanted to share is that sometimes we tend to get involved as we move through this process and as we carry it out, we make it more complicated. He said what he has come to realize through all of this is that by purchasing or obtaining our power through a different source, we can bring savings to the citizens of Escanaba. He said he did not want to personally bring numbers into the issue but keep the focal point on the fact that there will be savings to this community. He commented that we are looking at something that is economical, reliable and good for the community. We are creating a good environment. He looks at it as being able to vote to save himself money.

Baker questioned Anthony on the size of his company and the current bill. Anthony said his company is usually around 100 employees, but they have incurred some some layoffs. He said he is considered a large volume user and his power bill along with his sister company incurs power bills totaling around \$250,000/year. Just in looking at some of the increases that had been projected on different presentations made throughout this whole project, he could be looking at bills in excess of an additional \$30,000 to \$50,000/year. He commented that they are a small company and that is not good for them. He said they fight every day for pennies or fractions of pennies to continue on.

Power Plant Referendum Discussion-May 5, 2009

Furmanski said that at this point the group would discuss the upcoming referendum going before the City of Escanaba electorates on May 5, 2009.

Beauchamp started the discussion with the reading of the ballot language:

“Shall the Escanaba City Council have the authority to sell, lease, and/or dispose of the electric utility plant, equipment, and assets including up to 40 acres of real property where said assets are located.”

Brown related to committee members that at the joint City Council and the Electric Advisory Committee (EAC) meeting on Monday evening March 16th, Council had expressed an interest that the EAC as a committee, take up an opinion on the issue. He

further went on to say that he and member Baker had been doing some e-mailing back and forth on the issue and had come up with a potential motion that the committee might use to show support on the voter referendum. Copies were handed out to members and Brown then read it and offered it as a motion.

Motion: After an exhaustive and thorough multi-year study of Escanaba's future electric power supply options to provide long term reliable and cost competitive electric power, the EAC supports a YES vote on the May 5th, 2009 voter referendum.

This YES vote allows for the Escanaba City Council to sell, lease, and/or dispose of the City owned power plant and property.

The EAC further recommends that the Escanaba City Council members, and the Council as a whole, make public their support for a YES vote on the referendum.

Baker seconded the motion. Beauchamp then called for discussion.

Baker commented that in addition to the joint meeting of the EAC and the City Council, he was on the subcommittee for public relations for this issue. He commented that the EAC had done it's work in gathering all the information and passing it on to City Administration. Baker said that prior to tonight's meeting, the EAC, Council, and Administration had not taken a position on the issue other than to move the ballot language forward. At the joint meeting, Council had been talked to about taking a position on the issue. Council in turn put the issue back to the EAC for their stand, and that is how this meeting came about.

Bissell commented that she had a problem with making a recommendation. She commented that she does a lot of work with the League of Women Voters and said philosophically she can't direct a person on how to vote. She commented that she supports the process and knows that the committee has worked very hard but this is just a personal opinion of hers. Bissell also asked that we be respectful of the voters and not be condescending. We need to be respectful of why and how they vote, this is a vote of the people.

Beauchamp asked Bissell if she didn't feel that this was her way to sway the vote or give her reasons. Bissell responded that in working with the league, the nonpartisanship comes out and she can't direct people how to vote. She commented that she does have people ask her how to vote, but she does not give them an answer. Wilson commented that he felt that when someone asks him, he has been involved in the process and is able to provide them with the facts and help them in their decision. Baker commented that he respected her opinion, but did not agree with it. He said the committee had worked hard to finally come up with a position on the matter, of which she had been a part of for many years, and she was not now taking a position on the issue. Baker went on to say that 4 meetings were held on the issue to inform people with few people in attendance at any of them. People are now coming back to the area after the winter of being away, and he has had people come and ask him about the issue as well as those who have been in the area through the whole process. He said this is a community, he believes, where people look to leadership to help them and inform them and he feels it is our responsibility to let the people know. Mellinger also commented that he felt it was the EAC's responsibility to improve the City of Escanaba for its citizens, as well as the responsibility of the City

Council. Bissell said yes, the citizens could look for guidance from other people, however ultimately, it is a vote of the people. Wilson said he felt it was just a recommendation to the people, not the Committee telling them how to vote.

Baker urged all of those who could vote to get out and vote. He commented that the referendum requires a super majority, not just a majority to pass. He was concerned that it would not be decided by a fair representation of the electorate. He said we need to continue to get the word out to vote. We want as many people as possible to get out there and vote.

Beauchamp asked if there was any further discussion on the matter. No further discussion was brought forth, so he asked for a roll call vote on the motion presented by Brown and seconded by Baker. Roll call vote went as follows:

Beauchamp-yes; Mellinger-yes; Arkens-yes; Baker-yes; Bissell-no; Brown-yes; Wilson-yes.

Public Comment

None

Announcements – Committee Members/Staff

Mellinger asked when the next Council meeting would be and Furmanski advised it was the next evening, March 19th. Mellinger asked if it would be an agenda item, or if it would be added as an agenda item.

Cheves advised it was not yet an agenda item and did not know if it would be but it could be brought up in discussion.

Beauchamp commented that no one from the Press was in attendance at tonight's meeting and wondered if Furmanski or O'Toole could see that some sort of press release got out on what went on with this meeting.

Baker commented on Cheve's response and said that he felt it was important that the matter at least enter into discussion at the Council meeting. He felt as much public discussion on the matter as possible before the May 5th vote was needed.

Meeting adjourned 6:33p.m.

APPROVED:

RON BEAUCHAMP, CHAIRMAN

MIKE FURMANSKI, ELEC. SUPT.

with disabilities requiring auxiliary aids or services should contact the City of Escanaba by writing or calling at (906) 786-9402.

Respectfully Submitted,

Ron Beauchamp
Chairman, Electrical Advisory Committee

NB-1

MEMORANDUM

April 7, 2009

TO: Electrical Advisory Committee Members
FROM: Michael Furmanski, Electrical Superintendent
SUBJ: Escanaba Electrical Department Monthly Update – April 2009

I offer the following departmental update to the Electrical Advisory Committee.

1. New Development. The following work has been started and/or completed:
 - a. New Service on Landfill Road
 - b. Sheridan Road lights
 - c. Temporary service at Taco Bell

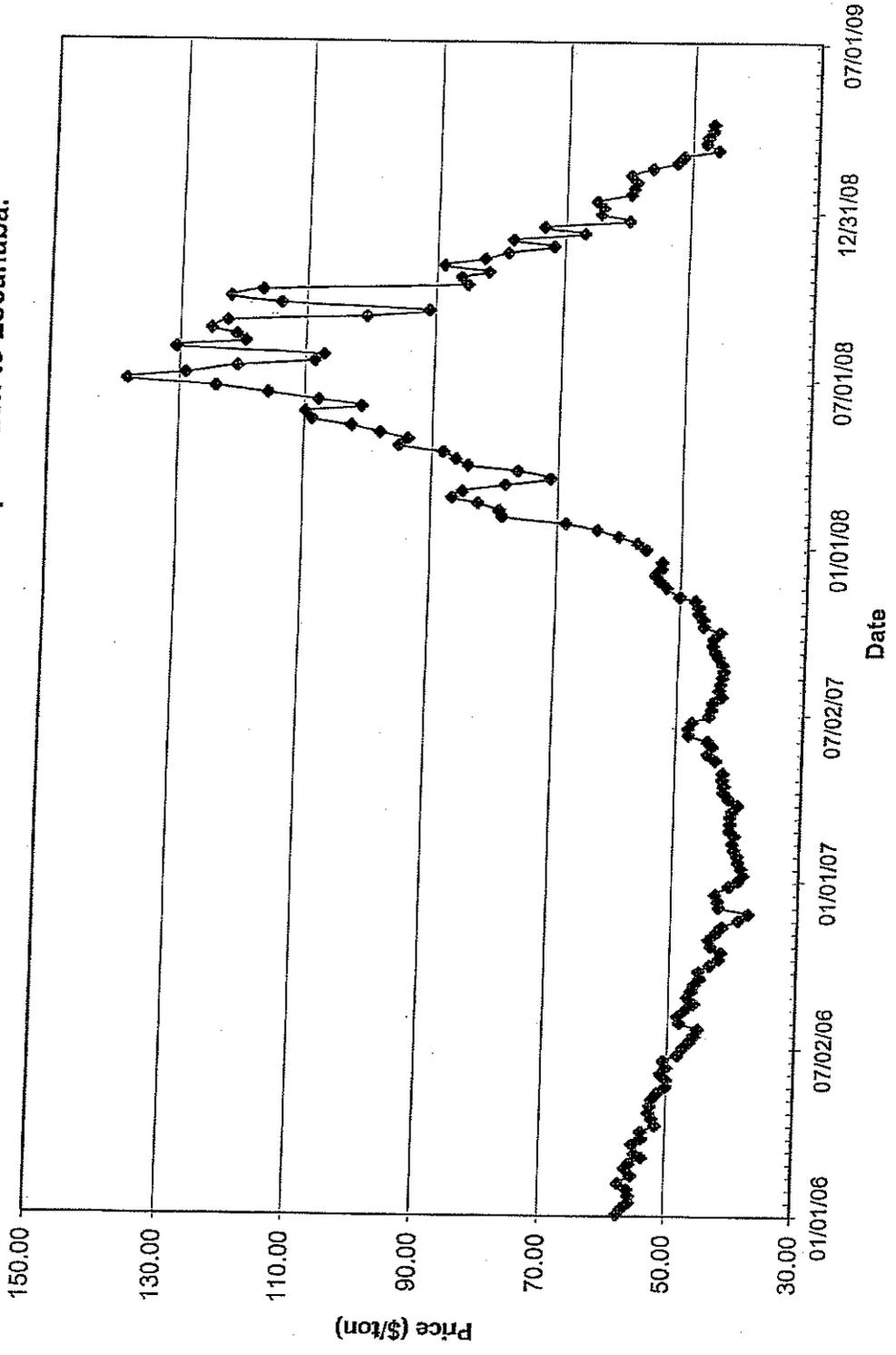
2. Distribution System Upgrades/Maintenance. The following upgrades or maintenance needs have been completed on the electrical distribution system:
 - a. Tree Trimming
 - b. Pole numbering

3. P.A. 295

Both the Renewable Energy Plan and the Energy Optimization Plan for the City of Escanaba were completed and filed with the MPSC. A public hearing for each plan was held on April 2nd, and we are accepting comments for 30 days. The plans are available on the City's website.

Should you have any questions or concerns please contact me. I intend to review this information with the Electrical Advisory Committee at their regularly scheduled April 8th, 2009 meeting.

Spot Prices - Marker Coal for Escanaba
NYMEX Look-Alike (12,000 Btu/lb, 1% Sulfur)
This is a "look-alike" Index and does not provide exact pricing for Escanaba coal.
Prices are FOB Mine and do not include transportation to Escanaba.



Escanaba Generating Station

Update for the April 8, 2009 EAC Meeting

The Unit 1 maintenance outage is complete and was put back on-line on Monday March 23. Normal maintenance was completed on the boiler. The turbine and generator bearings were inspected and UT'd. The bearings were found in good shape and were put back in with no repairs needed.

The Unit 2 major overhaul began on March 23 and is continuing through April into the first week of May. Some minor repairs are required to the turbine rotor and diaphragms. The bearings were in good shape, only the number 1 bearing will be re-Babbitted. Most of the generator wedges are loose; re-wedging will be recommended. Normal boiler maintenance is being performed during the major overhaul.

Unit 2 Stack is being re-lined. The gunite was found in bad condition during the inspection. Repairs will be made to the outer shell before being re-insulated. The inspection of Unit 1 Stack also indicates the gunite is in bad shape and should be replaced during the major overhaul next year.

Peak time power for the maintenance outages is being purchased in the MISO Day Ahead market, which has averaged \$42.10 per MWhr in March. A total of 6,536 MWhrs have been purchased in March in both the Real-Time and Day Ahead markets for a total of \$202,625 which averages to \$31.00 per MWhr.

As of the end of March, approximately 31,500 tons of coal remained on the dock. Based on the current burn rate, this coal may last through August.

The O&M budget is attached. O&M costs are not that far out of range. Fuel costs are lower than expected because we purchased more economical power than the estimate. Year to date the Plant overall operating costs are currently below budget.

The Combustion Turbine has not operated yet in 2009.

NO-2

Escanaba Generating Station Actual versus Budget 2008 & 2009

OPERATION	Prev. Est.	Actual	JUL	AUG	SEP	OCT 2008	NOV	DEC	JAN	FEB	MAR 2009	APR	MAY	JUN	YTD Total	TOTAL	YTD Diff
Operation Expenses			121,011	124,600	124,584	112,332	109,608	159,565	124,008	142,760	154,385	122,185	178,884	122,492	1,018,466	1,597,532	
- Less Fuel			165,550	145,800	139,500	126,701	112,898	164,352	127,728	119,974	151,360	121,044	112,573	127,954	1,081,501	1,604,431	
With Fuel & Ash Labor			138,244	138,592	138,423	133,737	171,282	131,148	130,173	143,990	0	0	0	0	1,123,586	1,123,586	32,066
Maint. Expense			86,828	102,726	55,977	75,688	28,483	68,718	60,474	71,327	244,281	228,724	81,219	39,961	560,200	1,144,365	
			44,053	42,700	44,053	44,053	46,200	44,863	55,500	74,000	120,000	135,000	115,000	50,000	405,212	825,212	
			26,816	65,949	52,347	60,404	42,646	72,707	86,931	76,094	0	0	0	0	483,696	483,696	78,483
O&M (Less Fuel)			207,840	227,325	180,570	188,000	138,091	228,282	184,481	214,077	398,675	360,920	281,203	162,453	1,588,667	2,741,917	
			199,803	188,500	163,553	169,754	159,086	219,005	183,228	183,974	271,360	266,044	227,573	177,954	1,496,713	2,428,644	
			184,850	204,542	188,770	194,141	213,929	203,852	217,104	220,084	0	0	0	0	1,607,282	1,607,282	110,569
Fuel (Burn Only)			273,212	391,410	462,425	549,798	491,875	525,502	649,680	558,321	354,767	555,261	639,341	696,060	3,900,202	6,155,620	
			528,856	528,856	623,556	651,581	651,581	885,211	788,076	874,001	477,826	840,371	640,371	679,608	5,097,720	7,655,895	
			540,872	502,862	593,601	686,727	598,352	711,316	860,326	545,412	0	0	0	0	4,809,467	4,809,467	-288,253
Total O&M			481,051	618,735	842,985	737,798	629,965	753,765	834,141	770,398	763,442	908,160	900,544	858,503	5,468,868	8,897,538	
			725,460	715,356	807,109	821,335	810,678	904,216	841,304	967,975	749,186	896,415	887,944	857,660	6,594,434	9,965,539	
			705,733	707,404	782,371	850,867	812,281	915,169	877,480	765,496	0	0	0	0	6,416,750	6,416,750	-177,684
A&G			150,688	150,688	150,688	150,688	150,688	150,688	150,688	-422,158	105,000	105,000	105,000	55,000	632,520	1,002,520	
			115,000	115,000	115,000	115,000	115,000	115,000	115,000	120,000	120,000	120,000	120,000	120,000	930,000	1,410,000	
			55,000	55,000	55,000	95,000	95,000	95,000	-23,298	95,000	0	0	0	0	521,702	521,702	-408,298
Total O&M with A&G			631,719	769,403	793,663	888,466	780,633	904,453	984,809	348,243	886,442	1,011,180	1,005,544	913,503	6,101,389	9,900,068	
			841,460	830,356	922,109	938,335	925,678	1,019,216	1,061,304	987,975	866,186	1,016,415	987,944	977,660	7,524,434	11,375,539	
			780,733	782,404	837,371	946,887	907,281	1,010,169	854,131	860,496	0	0	0	0	6,938,451	6,938,451	-565,982
Total O&M with A&G			1,289,443	1,263,324	834,339	897,590	800,490	921,720	989,381	361,289	1,101,689	1,067,786	1,039,620	936,420	7,367,575	11,573,100	
Ash, Energy Sales and Purchases			931,622	920,519	990,151	1,005,261	894,603	1,089,202	1,133,588	1,057,608	1,122,632	1,064,987	1,056,516	1,067,370	6,122,555	12,454,060	
			818,207	839,814	891,862	1,002,828	894,789	1,148,952	973,480	948,331	0	0	0	0	7,608,273	7,608,273	-514,283
City Load (mwhrs)			13,548	14,134	11,749	13,404	12,288	12,425	15,077	13,029	13,053	12,265	11,574	12,461	105,635	154,987	
			13,800	13,800	12,200	12,700	12,700	13,300	14,800	13,160	13,400	12,500	12,500	13,600	108,200	158,200	
			13,565	12,887	12,994	12,028	11,032	14,078	12,974	11,481	13,400	12,500	12,500	13,600	101,019	101,019	-5,181
Net Generation Sim (mwhrs)			6,301	8,834	11,096	13,516	12,106	12,750	15,806	13,462	9,052	11,686	11,269	11,836	93,670	137,612	
			12,325	12,325	11,125	11,625	11,625	12,225	13,525	12,025	8,525	11,425	11,425	12,125	96,800	140,300	
			12,687	11,929	11,995	11,270	9,747	11,890	10,961	10,961	0	0	0	0	89,443	89,443	-7,357
Coal Use Est. 2008-09			7,272	7,272	6,564	6,859	6,859	7,213	7,880	7,095	5,030	6,741	6,741	7,154	57,112	57,112	-3,862
Coal Burnt (Tons)			7,552	7,021	6,848	6,508	5,930	7,195	6,880	5,517	0	0	0	0	53,250	53,250	
Megawatts/Tons Coal			1.68	1.70	1.75	1.72	1.64	1.65	1.64	1.64	0	0	0	0	13	13	
Ash Estimate 2008-09			21,788	21,788	19,667	20,551	20,551	21,611	23,909	21,258	15,070	20,197	20,197	21,434	171,122	171,122	
Ash Expense			20,890	20,480	16,398	15,040	16,016	17,948	17,285	14,365	0	0	0	0	138,432	138,432	
Ash Landfilled (Tons)			1,638	1,606	1,266	1,180	1,266	1,408	1,356	1,127	0	0	0	0	10,857	10,857	-32,689
Energy - Purch \$			64,978	64,826	44,067	45,197	52,296	121,419	102,485	73,486	2,982	2,982	2,982	2,982	578,755	578,755	
Mwhrs			1,699	1,742	1,583	1,548	2,118	2,646	2,891	2,982	0	0	0	0	17,209	17,209	
Unit Cost \$/MWhr			38.24	37.21	27.85	29.19	29.41	45.90	35.45	24.64	0	0	0	0	33.63	33.63	
Energy - Sales \$			26394	7896	5974	3276	794	584	431	16	0	0	0	0	47365	47365	
Mwhrs			286	90	85	84	14	10	10	0	0	0	0	0	47365	47365	
Unit Cost \$/MWhr			98.25	88.23	70.53	50.95	55.92	59.86	44.41	53.13	0	0	0	0	559	559	
Load Peak (mws)			27.09	28.128	28.231	22.048	22.353	23.353	24.6	23	23	23	23	23	84.80	84.80	
Date			7/8	8/5	8/2	10/13	11/13	11/14	1/15	2/5	0	0	0	0	14.49	14.49	
Outage Hours Unit 1			0.00	0.00	0.00	0.00	0.00	13.83	0.00	0.33	0.00	0.00	0.00	0.00	23.28	23.28	
Outage Hours Unit 2			0.00	0.00	0.00	0.00	0.00	23.28	0.00	0.00	0.00	0.00	0.00	0.00	99.67	99.67	
STM Availability %			100.00	100.00	99.98	100.00	100.00	97.42	100.00	99.98	100.00	97.42	100.00	100.00	99.67	99.67	

(+) = above budget
(-) = below budget

NB-2

Escanaba Generating Station Actual versus Budget 2008 & 2009

OPERATION	JUL	AUG	SEP	OCT 2008	NOV	DEC	JAN	FEB	MAR 2009	APR	MAY	JUN	YTD Total	TOTAL	YTD DIFF	
CT Net Generation (mws)	335	343	4	-8	54	478	-55									
CT Operating Hours Total	42.6	52.2	1.3	0.0	9.8	55.8	0.0	-40					1,108			
City Requirement	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0					161.6			
MISO Dispatch	42.6	52.2	1.3	0.0	9.8	30.8	0.0	0.0					0.0			
Maintenance & Testing	0.0	0.0	0.0	0.0	0.0	25.0	0.0	0.0					136.6			
Energy - Sales \$\$ CT	222,580	248,743	8,286	0	50,836	327,965	0	0					658,411	Revenue		
Start-Up Charge	3,060	3,060	1,020	0	2,040	5,100	0	0					14,280	\$872,691.09		
Mwhrs (Gross) Sales	660	350	11	0	75	535	0	0					1,631			
Unit Cost \$/MWhr	341.72	719.44	853.80		702.21	622.95							535.01			
Fuel Used (gal) (Meter Month)	49,800	55,159	1,617	0	11,037	70,746	0	0					187,469			
Fuel Purchased (gal)	44,001	38,518	14,707	0	21,917	58,194	0	0					175,337			
Fuel Costs (Meter Month)	173,023	130,038	51,359	0	47,115	80,912	0	0					492,447	Costs		
CT Total O/M	4,393	948	2,282	2,912	2,597	1,162	5,119	689					20,111	\$512,558.74		
CT Availability %	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00					100.00			
Note sales/purch by Calendar Month																
Operating & hrs by meter month																
																CT Profit = \$360,132.35