

ELECTRIC ADVISORY COMMITTEE

06/10/2009

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, Pete Baker, Ron Beauchamp, Ann Bissell, Glendon Brown, John Mellinger, Tim Wilson

Absent: None

Also Present: Mike Furmanski-Electric Superintendent, Jerry Pirkola-Power Plant Superintendent, Gil Cheves-Council Liaison, Don Racicot-plant employee

Before moving on, Chairman Beauchamp took a minute to welcome Don Racicot, plant employee, to the committee. Beauchamp said the action took place at the joint City Council/EAC meeting whereby Manager O'Toole made a recommendation to have Don join the committee due to his expertise and experience at the plant and help the committee as they move forward. No timeframe had been set for his time of service.

Approval/Corrections to the Minutes:

Pete Baker made a *Motion to accept the minutes of the 05/12/2009 regular meeting as presented. Motion was seconded by Arkens and CARRIED UNANIMIOUSLY.*

Approval/Adjustments to the Agenda:

Tim Wilson made a *Motion to approve tonight's agenda as presented. The motion was seconded by Baker and CARRIED UNANIMOUSLY.*

Conflict of Interest Declarations:

None

OLD BUSINESS:

None

NEW BUSINESS:

Election of Officers

Baker made a *Motion to leave the existing officers in place as they are. Arkens seconded the motion and it CARRIED UNANIMOUSLY.*

Brown added comment that the current officers have served the City and committee well and will help move us forward.

Update-Electric Department

Furmanski offered the following departmental update to the Electrical Advisory Committee.

1. New Development. The following work has been started and/or completed:
 - a. Permanent Service at Taco Bell

2. Distribution System Upgrades/Maintenance. The following upgrades or maintenance needs have been completed on the electrical distribution system:
 - a. Low voltage in Ford River area
 - b. Pole changeouts
 - c. Low voltage on 8th Avenue South
 - d. Lights on Sheridan Road

Furmanski reported that for the Ford River problem of low voltage, the crews will be putting in 1 span of primary and a transformer to take care of the problem. The low voltage problem on 8th Avenue South will be taken care of by adding a transformer.

Brown asked what typically caused low voltage and Furmanski said it was either load or wire size. The Ford River problem is due to 3 spans of wire with 3 houses and a shop. When the compressor goes on in the shop, it causes the lights to dim in one of the houses. With the 8th Avenue South problem, there is just small wire and it involves 4 houses.

Baker questioned how the City maintains the tree trimming. Furmanski said typically it is handled through call ins from the citizens and also by the crews when out on jobs. He went on to explain that tree trimming normally starts taking place in December unless something calls for it immediately. Furmanski reported that one winter, we did use a contractor to come in and do the Ford River run as we had a lot of construction going on in the winter. Contractors also helped out with an area along the golf course. Furmanski said he did see an area along North 30th St that will probably entail having a contractor come in and take care of also.

Furmanski provided members with a power purchase update reporting that Unit #1 was taken down on March 9th, 2009 for its annual maintenance outage. Since that time, they have had 1 or both of the generators down at the plant. The #2 generator was taken down for a major overhaul on March 20th and is still down today. During the time that the plant has been operating 1 generator, they have been able to purchase energy from the MISO market at very reasonable prices. Furmanski provided data for March, April and May showing the pricing for the Real Time and Day Ahead Markets, total power purchase, Transmission Charges and the Total cost of power purchased including transmission charges.

Racicot commented that in May, they have lowered the day ahead purchases as the real time prices have been cheaper. In a gradual process, they have backed off 20Mw to 25Mw in the day ahead.

Baker asked for more of an explanation on the Day Ahead purchases. Racicot said that the buying was actually decided by Jerry and Mike. One example he gave was that in April, around 6am-8am, when the load starts ramping up, and we are picking out the day ahead purchases, they decided to start backing off 1 Mw/ hour for each hour they were purchasing. At the end of the day, we were at 154Mw purchased and now we are at 132 Mw purchased, down 22 Mw on the day ahead market. Baker asked how they determine what the Day Ahead should be. Pirkola said that it is pretty much an educated guess. They do look back at the past week and try to be conservative. He said when the load is higher, they put a higher number in the day ahead. He said he will be looking at the past 2 weeks when looking for June, but does suspect June to come up some.

Baker asked if the one turbine has been running pretty steady. Pirkola said it has been running an average of about 4.6 Mw for May. Baker said he would just like to extend a hats off to all all involved and that they are doing a good job.

Furmanski also went over the NYMEX Look-Alike index for coal prices which members received in their packets. The index shows a little bit of an upturn lately. Beauchamp mentioned that the last meeting it was talked about putting out a bid for the 2010 coal and he wondered if that had been done. Furmanski replied that nothing has been done because they really have no place to put it. Right now there is 64,000 tons on the dock and 3 more shipments yet to come. Baker asked if anyone has ever contacted the supplier to see if we could make a gentleman's agreement to not take anymore coal. Furmanski replied that he has not. Baker mentioned one year where the supplier had extra coal on the dock that he needed to get rid of and we at that time helped them out and took some in. He said he wouldn't hesitate to remind them of that. He thought it was either in 2005 or 2006.

Furmanski reported to members that he had included a letter from Miller-Canfield in the packets. The letter points out that private entities have the advantage of tax credits for their use, and also that the City cannot run as a merchant plant, we are limited to what we can sell.

Racicot asked about the load of the City in the Ford River area. Furmanski reported that the Ford River area is a very small portion of our load and that there are approximately 800-900 AMR meters in that area.

Furmanski advised members of the upcoming coffee with the manager meetings, voter forums and EAC Town Hall meeting. A list was supplied to members with their packets. He also reported that he had just received word that both DTE and Traxys N.A. would be at the June 24th Town Hall meeting.

Update-Power Plant

Pirkola reported the following to members as an update:

The Unit 2 major overhaul is essentially complete. Balancing is all that remains to be completed before the unit can be returned to service. Some minor maintenance repairs have yet to be completed on the boiler.

Unit 2 Stack update: A contract has been awarded to CR Meyer for replacing the upper 80 feet of the stack. The material is on order for delivery at the end of June. When the new portion of the stack is completed, installation of the Gunitite insulation will resume. It is estimated the work will be completed mid to late July.

We continued to purchase peak time power through May in the MISO Day Ahead market. The Day Ahead purchases averaged \$32.51/MWhr and the Real Time purchases averaged \$19.78/MWhr.

2112 tons of coal was burned in May leaving approximately 27,000 tons of compacted 2008 West Ridge coal on the dock. The second 2009 coal cargo was received on May 19 totaling 18,096 tons, which brings the total 2009 coal to 37,800 tons. As of today, there is approximately 64,000 tons of coal on the dock. As of now, if things continue the way they are, we have over 2 years of coal on the dock. Pirkola said he can't believe it will stay this way, but is unsure of where it will go.

The O&M budget is attached. Maintenance costs were higher than estimated but are in line with previous year's actual costs. Fuel costs continue to be lower than expected because we purchased more economical power than the estimate. The year to date Plant overall operating costs are below budget mainly due to lower A&G costs and lower fuel costs. Pirkola reported that currently the plant is \$856,000.00 under budget.

The Combustion Turbine was dispatched for MISO one time in May for 1.4 hours for transmission support.

After reviewing the budget spreadsheet with members, Pirkola commented that he knows members were looking for some change. He said he is open to changing it and requested members e-mail him with what they would like to see, or perhaps a few of them meet with him to come up with a new way.

Baker questioned how many boatloads we are still obligated to in the '09 contract. Pirkola and Furmanski said 3 more boatloads. Baker asked if those were 15,000-16,000 tons each to which they replied they were. Baker commented that he felt someone needs to decide if we pull the plug on the contract at this point and face the consequences. He said we have a lot of money invested in these 3 boatloads. He felt someone needs to take a stand on the issue. He felt maybe we could face the consequences of what it can be resold for instead of us paying \$105/ton. If it was resold for a lesser amount, we would just pay the difference as a loss.

Baker said he was not comfortable with WPS and Dave Wanner handling the issue. He said it is a contract with the coal supplier and the City. Furmanski said it is a 3 way contract and that there is a provision in the contract that all contacts with Alpha should come from Dave Wanner of WPS. Baker then again stressed that the City needs to take a stand on the issue or possibly we do need an attorney to help us in the matter.

Beauchamp expressed the possibility of checking to see if there are other entities out there that may be in the same situation that we are, and seeing how they are handling it. Baker asked if we had the right to take accept shipment and divert it to another location that may need it. Baker said no one has all the answers, but he did say we should start with the supplier.

Plant Lay-up Procedure

Furmanski supplied members with an e-mail that he had received from Howard Geisler from WPS with regards to procedures for taking a plant off-line. Some of the key issues to be concerned about were:

- Building heat for winter months
- Installation of dehumidifiers to protect generator and key motor windings
- Possible capping of stacks
- Cleaning of precipitators
- Cleaning of coal conveyor, fuel feed, and stoke systems
- Complete draining of boilers and possible installation of dehumidifiers to circulate dry air
- develop a plan to rotate key equipment

Racicot pointed out that assuming the CT would be in standby should it be needed, there would be a need to install a heat exchanger to keep water from freezing. Also, the plant building is not well insulated, and the battery room would need some heat.

Baker commented that he would like to see, if in a standby mode, how would we operate. He asked Pirkola if he could come up with a procedure about how we would operate such as the amount of staff we would need, if we should be using this time to be getting our house in better order, what does it look like from a plant standpoint and a payroll standpoint. He requested Pirkola come up with something should this possibly come about.

Update-Public Act 141

Furmanski reported that with P.A. 141, all customers of a municipal are protected. We have no choice for an alternative energy supplier unless the governing body, the City, allows it. The governing body for the City would be the City Council. The governing body determines all rates and charges also.

Baker asked the question if someone could produce their own energy. He understood that they cannot buy from someone else, but what about producing it. Furmanski said this was possible but wished them luck.

Brown commented that most people size their systems where they will not generate their full load.

Update-Short Term Power Proposal

Furmanski reported that members have received a copy of Tom Butz's proposal for the scope of work for June through September 2009. The last time the EAC made a motion to Council to approve funds for PSE was March 2009, and that sum approved has been exhausted.

Furmanski reported that Tom and PSE have served us well over the last 2 years and he is looking for approval to go before Council and ask for this additional amount of up to \$25,000.

Furmanski reported that Tom is currently working on a fix for float swap agreement for the City and should be sending out the RFP soon. The deadline that we are looking at to start it would be July 6th. Furmanski reported that once Tom has received some information back, we will be setting up a special EAC meeting.

Mellinger asked if this proposal for Butz has been approved. Furmanski reported that it has not, he had hoped to get approval from the EAC this evening. Furmanski reported that also in the packet was another proposal received from an individual. Furmanski commented that from his standpoint, he felt that Tom has served us well the past 2 years and he felt that we should continue on with him. Mellinger felt that Tom has served us well also.

Baker expressed concern that this appeared to be a matter of a consultant trying to justify his work, and felt that we need to put him on hold for now. He questioned what specifically we needed him to do for us now. Beauchamp commented that he remembered from a meeting past, that the committee decided they wanted to keep Tom on regardless of how the vote went. Baker said he would like to see something either from Furmanski or the City as to why we still need Tom. Mellinger commented that we do have Tom looking at a short term power purchase agreement for us at this time and felt he should remain on. Baker said once again, that if Mike could say that Tom is needed, and that this proposal is a direct result of work that we have requested of him, he would back it up. He just felt that by looking at the letter as it was, he was just justifying his work. Furmanski reported that the Fix for Float Swap Agreement that Tom is now working on is all part of this proposal. Baker felt that we have all benefited from our relationship with Tom and PSE and if he is needed, he does support it.

Brown pointed out that item #1, the Fix for Float Block Power Purchase, and #2, MISO Services Evaluation, are items that are important before the Aug 4th election. Items #3 thru #7 depend on what happens after the election. He felt that depending on the results of the election, this proposal would again be reviewed. At this time, Brown made a *MOTION that the Electric Advisory Committee recommends that the City Council engage in the services of Power System Engineering (PSE) as proposed, up to \$25,000, but with*

EAC review of the proposal again at a later time. The motion was seconded by member Wilson, and CARRIED UNANIMOUSLY.

Update-Baseline Environmental Assessment (BEA)

Furmanski just updated the group with an e-mail from the City Assessor, Elizabeth Keller, regarding the Baseline Environmental Assessment. Just to reiterate what she had commented, was that the City should not be ordering environmental assessments as of yet, but wait until there is the likelihood of selling the plant. The assessments do have a shelf life that we need to be concerned about.

Update-Annual Electric Utility Report

Furmanski reported that this is a project that Administration had just come up with recently and have now found out that with P.A. 295 it will be mandated after one full year operating under the act. Currently the City's Water Dept puts out a report annually to its customers and now Administration is currently shooting for the beginning of July to provide an annual electric utility report to its customers. Intent for the report is to educate customers on different items in the Utility such as budget report whereby they will be provided information from the last 2 audited years of revenues, expenses, profits and losses, interest income, and net assets. They will also be provided information on outages, ballot language and any other pertinent information that can be allowed on a 5 panel mailing brochure. We are currently working with a marketing firm on setting this up.

Baker at this time questioned the other proposal received for the agenda item dealing with short term power proposal. He said he does not remember discussing it. Furmanski replied that he had received it and forwarded to members, but he was recommending staying with Tom Butz and PSE as they have been with us on the issue from the beginning. Baker asked if it was another proposal to counter the PSE proposal, because by looking at it, he thought it was more of a marketing approach.

Gil Cheves, Council Liaison, commented that Council had made a directive to the Electric Department to look at getting some supplemental help. The question was whether or not he was happy with PSE or should he look for some local support. Cheves said there are very little options for local support, and Mike has made the recommendation that he is happy with the work of PSE and wishes to retain them.

Bissell requested to see a draft copy of the electric utility report before it was sent out. Furmanski said he would see that all of them get a copy for review.

Beauchamp asked Furmanski about the copy of a DEQ letter that was received by the members. Furmanski reported it was just a heads up, they did an inspection, and found a few minor infractions. Pirkola said it was basically just an inspection so that the DEQ could become more familiar with what we have on site. He said they have some requests which we are following up on at this time.

Baker asked what was going on with the UPPCO contract at this time. Furmanski advised that the deadline is actually June 30th. Where we stand with it at this time he said is we are still negotiating. He said in the last face to face meeting, the City has said there are parts that we don't like, and they commented that they are not changing it. Baker asked what happens on July 1 if we have no agreement in place at that time. Furmanski said the existing contract remains the same and we have until 2011 to find a new operator for the plant.

Beauchamp asked if we did have offers in from other potential operators and Furmanski replied that we did have a proposal from one company and a generic, kind of a boilerplate, offer from another and there are still other options.

General Public Comment

None

Announcements-Committee Members/Administration

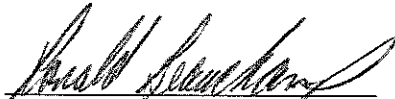
Brown commented that he would ask City Administration to look at the timing for the Absentee ballots in this next upcoming election. He felt it was almost impossible if you lived out of town to vote absentee ballot with the mailing time allowed for mailing back the documents.

Brown also commented that the Michigan Public Service Commission appointed a wind energy resource zone board, and they just put out a draft analysis of the wind potential in Michigan and it identified no high potential wind regions at all in the Upper Peninsula, all were located in the Lower Peninsula, and there were 4 of them.

Baker made the reminder that one boat load of coal was worth \$1.5 million and we need to check into the matter.

Meeting adjourned: 7:18pm

APPROVED:



RON BEAUCHAMP, CHAIRMAN



MIKE FURMANSKI, ELEC. SUPT.