

**City of Escanaba**  
**Town Hall Meeting**  
**Wednesday, June 24, 2009**

Pursuant to a special notice posted, City Administration and the Electric Advisory Committee convened at the Delta Plaza Mall Food Court at 5:45pm to conduct a Town Hall Meeting to provide citizens the opportunity to ask questions and discuss issues relative to the Escanaba Power Supply issue and the August 4, 2009 referendum vote.

Electric Advisory Members Present:

Ron Beauchamp-Chair

Larry Arkens

Pete Baker

Ann Bissell

City Administration:

Jim O'Toole-Manager

Mike Furmanski-Electric Superintendent

Mike Dewar-Controller

Council Members:

Gil Cheves-Council Liaison to EAC

Pat Baribeau

Tom Warstler

EAC Chairman, Ron Beauchamp, welcomed all in attendance and thanked them for coming. Beauchamp introduced committee members in attendance as well as City Administration in attendance

Tom Butz, Power System Engineering, provided a brief overview of the situation to date. He said the City of Escanaba has received proposals to purchase the Power Plant from DTE Energy Services and Traxys N.A. He commented that the 2 parties will make presentations to the Committee and people of Escanaba explaining their planned use for the plant.

DTE Energy Services provided their power point presentation. ATTACHMENT A. A question and answer period followed the presentation.


Traxys N. A. provided their power point presentation. ATTACHMENT B.  
A question and answer period followed the presentation.

Ron Beauchamp, EAC Chairman, thanked all in attendance and reminded those in attendance of upcoming meetings.

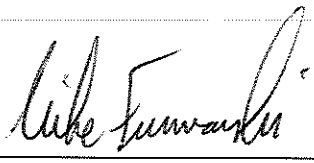
Meeting adjourned 7:15pm

Approved:

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Ron Beauchamp, Chairman  
Electric Advisory Committee

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Mike Furmanski, Supt.  
Escanaba Electric Dept.



**DTE Energy**

## Power and Industrial: DTE Energy Services

### Wholesale and Renewable Power Projects

DTE Energy Services' plan for Escanaba is to convert the plant to biomass

**Typical Process for This Type of Project**

**Challenges:**

- Off-take
- Fuel source
- Future legislation

2

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## Non-Utility Platform

### Appendix

Other Non-Utility Platform Businesses

3

**DTE Energy**

## Power and Industrial: DTE Energy Services

### On-Site Energy Projects

**DTE Energy Services creates value for its on-site customers by:**

- Reducing operating costs by operating utility systems efficiently and reliably
- Offering commodity management services to manage fuel purchases and energy purchases
- Allowing customers to focus on their core strengths
- Product offerings include wastewater treatment, steam, compressed air, hot and chilled water and electrical distribution

4

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## Power and Industrial: DTE Energy Services

### Steel Industry Projects

**DTE Energy Services creates value for its steel customers by:**

- Producing blast furnace coke and pulverized coal for use in the steel production process

10

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## Power and Industrial: DTE Energy Services

### Petcoke Projects

**DTE Energy Services creates value for its petcoke customers by:**

- Providing pulverized petroleum coke (a by-product from the oil refining process) for use as a substitute for higher cost natural gas
- Allowing customers to substitute more cost effective solid fuels
- Providing efficient solid fuel procurement, transportation, and processing services
- Helping customers of having to invest in and operate pulverizing facilities
- Providing technical and permitting assistance

11

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## Power and Industrial: DTE Biomass Energy

**DTE Biomass Energy creates value for its customers by:**

- Working with customers to harvest biomass greenhouse gas before it becomes a pollutant and processing it into usable fuel
  - High quality pipeline gas
  - industrial gas and
  - power generation
- Structuring tax advantaged deals that optimize tax and renewable energy incentives

12

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## Power and Industrial: DTE Coal Services

**DTE Coal Services creates value for its customers through:**

- A physical network of assets and transportation contracts that enable complex and efficient delivery services
- Physical and financial trading capabilities to provide risk management tools
- The ability to leverage financial and trading resources of parent utility

13

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## Power and Industrial: DTE Coal Services Marketing and Trading Activities

**Marketing and transportation of "physical" coal from all major domestic coal basins:**

- In addition to the Ane Aker headquarters, regional offices with marketing teams in Denver, CO; Washington, DC; Lexington, KY; and Atlanta, GA
- Strategic long term transportation contracts
- Strategic terminal assets - Chicago Fuel Terminal and MERC

**Coal and emissions trading**

- Trade western and eastern coal, leveraging DTECO's physical assets, NYMEX and OTC markets
- Coal-to-power trading
- Enable SC2 and MCR allowances with coal and byproduct utilization
- Voluntary carbon emission reduction credits

**Risk management services**

- Structured contracts, options and swap instruments to help counterparties or DTE Energy efficiently manage risk

14

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## Power and Industrial: DTE Methane Resources

### Coal Mine Methane to Energy

**DTE Methane Resources creates value for its customers by:**

- Recovering a harmful, highly flammable greenhouse gas which is typically vented into the atmosphere
- Maximizing the value of the recovered gas by processing it for use in electricity generation and fueling industrial energy systems
- Converting carbon dioxide

15

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## Gas Midstream

### Gas Storage, Processing and Pipelines

We are one of the leading operators of natural gas in North America

**The Gas Storage and Pipeline businesses create value for its customers by:**

- Operating two gas storage fields in Michigan with a storage capacity of 67 Bcf, Washington 10 and 20 storage facilities on high compressibility storage basins having bidirectional interconnections with Vector Pipeline and Michigan
- Operating two interstate transmission pipelines:
  - DTE Energy has a 40% ownership interest in the 630 mile Vector pipeline with a capacity to move 1.2 Bcf/d from Chicago to Denver, Chicago
  - DTE Energy has a 26% ownership interest in the 162 mile Midwestern pipeline serving markets in New Jersey, New York and New England. Completed in December 2008, the 36 inch diameter pipeline can transport up to 200,000 gpd/day

16

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## Energy Trading and Marketing

**DTE Energy Trading creates value for its customers by:**

- Focusing on physical power and gas marketing and trading, structured transactions, and enhancement of returns from DTE Energy's asset portfolio
- Optimizing contracted natural gas pipeline transportation and storage, and power transmission and generating capacity positions
- Delivering value-added services to its customer base of utilities, local distributors, companies, pipelines, and other marketing and trading companies

17

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## Unconventional Gas: Gas Resources

**Gas Resources creates value for its customers by:**

- Exploring, developing and producing natural gas in the Barnett shale region in north Texas
- In 2008, we added proved reserves of 25 Bcf resulting in year-end total proved reserves of 117 Bcf
- The Barnett shale wells yielded 5 Bcf of production in 2008. Barnett shale basefoot acres increased to 62,025 gross acres
- We drilled a total of 37 wells in the Barnett shale acreage
- In 2009, we expect to drill approximately 15 to 25 wells in the Barnett shale

18

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## DTE Energy's Non-Utility Platform

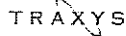
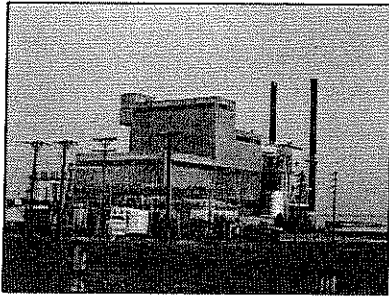
*leveraging our expertise  
to drive your success*



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April 2009



### Escanaba Power Plant Purchase Proposal



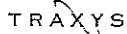
Presented to Electrical Advisory Committee on 4/28/2009

### Locations



### Traxys-Facts & Figures

- > In FY 2008 Traxys had \$4.5 billion turnover
- > 250 employees world wide
- > 25 global offices
- > 50 employees in the U.P., Michigan



### Traxys - Investments & Shareholder Partners



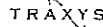
> Pegasus Capital Advisors – over \$1.5 billion under management



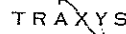
> Keiso & Company - \$4.5 billion under management



> Resource Capital Funds - \$1 billion under management

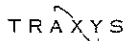


> Traxys Management - the Traxys Management Team is made up of seasoned industry experts from around the globe.

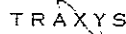
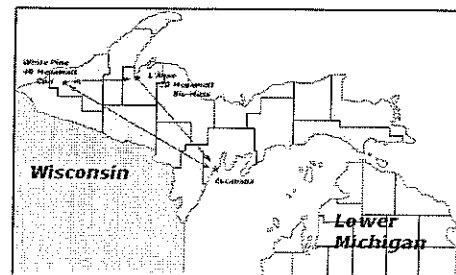


### Traxys – Energy & Power

- > U.S. operating facilities that have annual capacity in excess of 40 million tons for trans loading, blending and storage of coal and other commodities
- > Energy generation capabilities of 60 Megawatts in Upper Peninsula, Michigan
- > U.P. Power Marketing – a fully licensed AES (Alternative Electric Supplier) brokering wholesale and retail power



### Traxys – Energy Distribution



## Traxys – Energy Assets

- White Pine Electric Power, LLC.
  - ✓ 40 Megawatt coal generation
  - ✓ Serving a wholesale contract since 2004
  - ✓ Plant availability well above utility grade standards
  - ✓ 5 years without Lost Time Injury

TRAXYS

## Traxys – Energy Assets

- L'Anse Warden Electric Power, LLC.
  - ✓ 20 Megawatt biomass generation
  - ✓ 40,000 lbs per hour "green" process & heating steam
  - ✓ Commercial operation since November 2008
  - ✓ First green plant to come on-line in Michigan since Governor Granholm and the House passed Senate Bill # 213 (the "RENEWABLE ENERGY PORTFOLIO AND ENERGY EFFICIENCY ACT").
  - ✓ LWEC has been nominated for an innovation award by the State of Michigan

TRAXYS

## Traxys – Power Plant Conversion Expertise

- \$48 million Capital Expenditure in the U.P. to convert 2 formerly idle coal plants to dispatchable assets
- Strong team of management, engineering, permitting and environmental staff working closely with State and Federal Agencies to promote economically viable renewable energy



TRAXYS

## Traxys – Environmental Issues & Concerns

- White Pine Power Plant is located on a previously active mining site and has over 40 years of operation history
- With Traxys expertise and consultants, the transfer and purchase was done with mitigation of risks to both parties
- J.H. Warden site (L'Anse, Michigan) operated as a coal facility starting in the late 1950s until the 1990s with coal deliveries and ash containment on site. Through the BEA (Baseline Environmental Assessment) process, both the selling utility and Traxys had full confidence in the process to mitigate environmental liabilities.
- The entire clean up of the site activities was completed within 4 months

Traxys, if the successful purchaser of the plant, envisions a similar process, giving assurance to the City of Escanaba that all pre-existing contamination and post purchase activities will be handled in a cost efficient manner and adhering to all MDEQ, State, Federal and local concerns.

TRAXYS

## Traxys – Long Term Vision of the Plant

- Run unit # 1 on coal
- Convert unit # 2 to biomass
- While converting to biomass, the balance of the city load will be served by U.P. Power Marketing
- Run unit # 2 on biomass and convert unit # 1 to biomass

TRAXYS

## Traxys – Escanaba Investment

- Retention existing power plant jobs
- About 75 direct and indirect jobs are created for every 10,000 acres of willow crops
- Local land owners farming and harvest opportunities
- 100 construction jobs for 20 months locally
- Traxys Capital Expenditures of \$25 million locally
- Increased Tax Revenue for the City of Escanaba

TRAXYS



## Traxys – Existing Power Plant

- The entire city load will be supplied from the plant after conversion of both units to biomass has been completed
- The city's excess loads will be supplied by U.P. Power Marketing
- Combustion turbine unit will remain as back up capacity
- Existing work force will be offered employment with Traxys
- Since the load will be served from the plant, limited transmission upgrades are needed

TRAXYS

## Traxys – Fuel for Plant

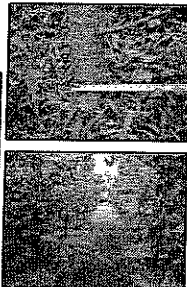
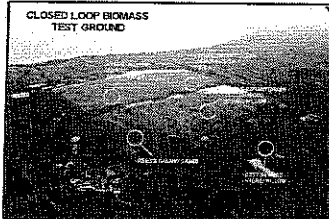
- While generating on coal, Traxys' Carbon Division will supply coal to the plant
- Major portion of the biomass fuel needed for the plant will be grown on leased acreage in close proximity to the plant
- The balance of wood is low grade wood residues, bark, diseased wood, pallets, building debris, tree tops and trimmings
- High grade wood chips are not in the mix, so will cause no interference with paper industry



TRAXYS

## Traxys – Closed Loop Biomass

Working with Michigan State University professor Ray Miller, testing with hybrid willow and poplar has been proven to be successful in both the White Pine and Escanaba areas.



TRAXYS

## Traxys – “Assurance”

- Traxys, if the successful bidder of the purchase of the facility, will invest substantial capital investment in the asset in order to convert the facility into a “Biomass” facility.
- Jobs will remain the same, plus 60 – 100 construction jobs.
- Spin-off jobs will range 25 – 50 new jobs in wood aggregation and farming opportunities.
- Traxys would even consider a “First Option on Right of Refusal” to purchase back the plant if Traxys were to exit the power business or were to purchase all the energy and capacity from the grid.

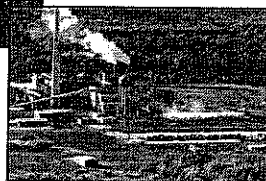
TRAXYS

## Traxys – Questions



White Pine Electric Power, LLC.

L'Anse Warden Electric Company, LLC.



TRAXYS