

ELECTRIC ADVISORY COMMITTEE

07/08/2009

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, John Mellinger, Tim Wilson

Absent: Glendon Brown

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

Approval/Corrections to the Minutes:

Pete Baker made a *Motion to accept the minutes of the 06/10/2009, 06/17/2009 and 06/24 meetings as presented. Chairman, Ron Beauchamp, requested the motion be seconded by someone who had attended all 3 meeting. The Motion was seconded by Arkens and CARRIED UNANIMOUSLY.*

Approval/Adjustments to the Agenda:

Pete Baker made a *Motion to have public comment after each item before going on to the next, as this is the last meeting before the vote in August. The motion he said is for this meeting only. The motion was seconded by Bissell and CARRIED UNANIMOUSLY.*

A Motion to approve the agenda for the meeting was made Wilson and seconded by Baker. The motion CARRIED UNANIMOUSLY.

Conflict of Interest Declarations:

None

General Public Comment:

None

OLD BUSINESS:

None

NEW BUSINESS:

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. New streetlights on Sheridan Road
 - b. Low voltage in Ford River area
 - c. Low voltage on 8th Avenue South

2. Distribution System Upgrades/Maintenance. The following upgrades or maintenance needs have been completed on the electrical distribution system:
 - a. Pole change outs
 - b. New service on Landfill Road

Furmanski provided members with a power purchase update including the June data. The transmission charge is still an estimate at this time as there is about a 1 month lag before we know the actual amount.

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 a bump about 1 month ago, but now is down a bit again. Bissell commented that in June she noticed that we purchased a lot more, and questioned if that was because demand was up. Furmanski said he not seen the numbers for City load and was unsure of why this was.

Public Comment

None

Update-Power Plant

Berndt 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 refractory repairs are currently being made on the boiler.

Unit 2 Stack update: The upper 80 feet of the stack was set and replaced last Friday (July 3rd). Currently, the contractors are installing the Gunite insulation. It is estimated the work will be completed July 24th.

We continued to purchase peak time power through June in the MISO Day Ahead market. The Day Ahead purchases averaged \$43.65/MWhr and the Real Time purchases averaged \$25.51/MWhr.

Approximately 2330 tons of coal was burned in June leaving approximately 24,700 tons of compacted 2008 West Ridge coal on the dock. As of the end of June, there was approximately 62,500 tons of coal on the dock.

The O&M budget is attached. O&M costs were higher than estimated. The main contributing factor was there were 3 pay periods in the month of May. 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. Currently the plant is approximately \$1 million dollars under budget to date.

Berndt reported that the CT ran 4 times in June for a total of 33.4 hours all for MISO.

Berndt advised members that they have dredged the ash ponds at the plant and over a 4 day period they hauled 323 tons of coal ash to the landfill.

Baker asked the net generation for June and Berndt reported it to be 3267 Mw and City load was 11,840 Mw. Baker then questioned on the City site for load at the power plant if that was net. Furmanski responded that that was the load that was being taken out of the substation. Baker asked if that was also what the plant was using. Racicot commented that it was not, that the e-miner site shows what is being drawn out of the plant. What you see on the site you would add approximately 700 Kw to it, which we are required to have to keep the plant running.

Baker questioned the issue with the CT and if we were going to discuss the issue. Berndt said the fault occurred 06/25 and they are doing testing on it at this time. The scope of the work will be unknown until at least the end of the week or the beginning of next week. The CT is unavailable at this time.

Public Comment

None

Update-Fixed for Float Swap Agreement

Furmanski reported that the agreement started on July 1st, so he has no exact numbers as of yet. So far this month, he commented that we probably would have been better without the agreement, as prices have been low around the clock. Furmanski said City load has also been low, and we will have to wait and see in the next 7 weeks how things play out

Baker asked how we are operating the plant with this fixed for float agreement in place, or how has the operating philosophy of the plant changed. He commented that before the agreement was in place, we operated with one generator, tried to maintain the lowest capacity of around 4 Mw, changed our philosophy on buying in the Day Ahead market and bought more Real Time, but what are we doing now and what will we be doing during this 2 month time frame for this agreement. Furmanski commented that we really

haven't seen any change as of yet. With the agreement, in the week days in peak hours it is fixed at 17 Mw and 4 Mw of generation. When City load gets above 21 Mw then a decision will have to be made to either buy Real Time or generate and that is just a financial decision. If it's cheaper to buy than generate, that is what will happen. Baker questioned if we bought any Day Ahead and Furmanski said with the agreement it is all Day Ahead. Baker asked if we would buy any on top of that which is part of the agreement and Furmanski said he did not suspect that we would do so but it could happen. Baker asked what happened to the excess say at 9 in the evening when City load is down. Furmanski said that we would then sell it back.

Baker commented that he would like to hear from Racicot about what this swap has done to change things for the guys at the plant. Racicot said so far City load has not dictated that we make any decisions yet. When the day comes, it will not be any different for us in how we have been forever making decisions. If the price is cheap we'll buy or if we have to we will generate more.

Furmanski commented that City load has been low and the MISO Market has seen some spikes, but overall it has been low. Berndt commented that for June, the Real Time market averaged around \$25.5 Mw.

Baker asked Furmanski to comment on how the procedure to do this swap came about so fast. He said he did not get his phone message until 10:30pm at night on the 18th of June, after there was serious discussion on the matter at a special meeting on June 17th, whereby the EAC had decided against the agreement. Furmanski reported that on the 18th of June, following the special EAC meeting, Tom Butz from PSE was contacting the companies back to advise we would not be entering into any agreement with anyone. One of the proposers, Cargill, asked what it would take for the City to enter such an agreement. Butz and City Administration met and put a proposal in to the top 3 companies from the June 16, 2009 RFP and Cargill came back with an offer that matched the City's estimates of a best case scenario. The original fixed for float agreement was going to be for a start date of July 6th, and last for 3 months, however Cargill only wanted it in full month increments and would go for 2 months, not 3. The proposal had to go before Council to be approved, and the June 18th council meeting was the last before the July 1st start date.

Public Comment

Bill Gasman, resident, stepped to the podium and asked what the function of the EAC is if the administration goes ahead and makes changes anyway to a decision that has been made.

Furmanski pointed out that the situation had changed with regards to the numbers presented at the meeting on the 17th of June and what we were again presented with on the 18th.

Beauchamp commented that Furmanski did contact by phone the members that he was able to get ahold of and let them know what was going on.

Council Liaison, Cheves, stepped to the podium and said that part of what the EAC does is debate the issues and then make recommendations to the Council based on the information they have. He said Administration gave Council the information as well as the information that had changed overnight and they acted on it at the meeting on the 18th of June. He said sometimes you have to move forward rather quickly, or you lose the opportunity that was afforded to you.

Baker commented that the committee had met for 2.5 hours the night before at a special meeting dealing only with this issue and he wished the situation could have been handled differently. He felt there were a lot of questions that should have been asked at the Council meeting that weren't, and felt the Council was not fully informed about what they were voting on. He said Administration does do a great job and that Council did act upon a recommendation of Administration. He said the issue is water under the bridge now and we can move forward and learn from this.

Beauchamp commented that Tom Butz from PSE would hopefully be giving us an analysis of this agreement at some time. Furmanski said that that would be happening, and for the August meeting he should have all of the July information available to present to the members.

Bissell asked if the agreement was only for July and August, if we had looked ahead yet for anything for September. Furmanski said nothing has been done. He commented that they will be looking at the July numbers and from there move forward in August if we feel it is something that we want to continue. He said deals like this are worked out at all times.

Update-Variou Issues

Furmanski reported that the plant stack repairs were covered in NB-2, so he would not go over that any further. With regards to the coal contract, he said they did have a phone conversation with the vendor who said they would check things out on their end. The vendor did express concerns of getting hit with a rail surcharge if they did not ship out enough tons. They agreed that we have had a good relationship over the years and understands that we are in a situation. They said they will do some checking and get back to us. Furmanski said there are 3 scenarios that are being looked at. One would be the best case-cancel all 3 loads, 2nd would be to defer some loads, however this would cause a problem with dock storage, or the 3rd scenario would be a flat out buy out. Furmanski said if we have not heard back from them within a week to 10 days, we would recontact them.

Furmanski reported that the UPPCO contract negotiations have been extended 90 days however the 3 year term for expiration still remains the same.

Mellinger asked if there had been any further talks on putting the plant on standby now that we have this short term agreement. Furmanski reported that nothing further has been

done on this issue as he felt that there will still be times during this agreement period where we will still want to run it to 8-10 Mw.

Bissell asked if Unit 2 and the Unit 2 stack were both going to be operational on the same day. Furmanski reported that yes that was the case.

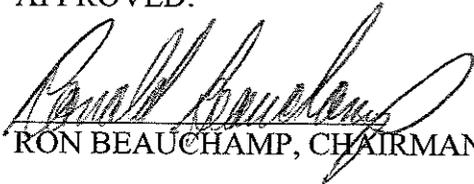
Public Comment

Gil Cheves, Council Liaison, stepped to the podium to remind all to vote on August 4th and anything they could do to continue to help get the word out between now and then would be appreciated.

Baker questioned if there were any upcoming special meetings to which Beauchamp responded there were no more scheduled meetings before the August vote and Furmanski reminded members of the remaining upcoming Coffee with the Manager meetings and they could contact the Electric Department for the schedule.

Meeting adjourned: 6:46pm

APPROVED:


RON BEAUCHAMP, CHAIRMAN


MIKE FURMANSKI, ELEC. SUPT.