



## CITY COUNCIL/ELECTRICAL ADVISORY COMMITTEE

April 13, 2011 – 6:00 p.m.

### CITY COUNCIL

Gilbert X. Cheves, Mayor  
Leo Evans, Mayor Pro-tem  
Patricia Baribeau, Council Member  
Brady Nelson, Council Member  
Walter Baker, Council Member

### ADMINISTRATION

James V. O'Toole, City Manager  
Robert S. Richards, CMC, City Clerk  
Ralph B.K. Peterson, City Attorney  
Mike Furmanski, Electrical Superintendent  
Michael Dewar, City Controller  
Thomas Butz, Power System Engineering

### ELECTRICAL ADVISORY COMMITTEE

Ronald Beauchamp, Chairman  
Vacant, Vice Chairman  
Larry Arkens, Committee Member  
Glendon Brown, Committee Member  
Ann Bissell, Committee Member  
Tim Wilson, Committee Member  
John Anthony, Committee Member  
Donald Racicot, Committee Member

[City Council Chambers located at: City Hall - 410 Ludington Street - Room C101 - Escanaba, MI 49829](#)

### Meeting Agenda

**Wednesday, April 13, 2011**

CALL TO ORDER

ROLL CALL

APPROVAL/ADJUSTMENTS TO MINUTES

APPROVAL/ADJUSTMENTS TO THE AGENDA

CONFLICT OF INTEREST DECLARATION

### NEW BUSINESS

**1. Update - Power Plant Operations.**

**Explanation:** The Plant Operator will discuss current plant operations, plant maintenance issues and costs associated with the operation of the facility.

**2. Update - Electric Department.**

**Explanation:** Electrical Superintendent Michael Furmanski will discuss current departmental activities and operations.

**3. Update– Operation and Maintenance Agreement(s).**

**Explanation:** Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Operation and Maintenance Agreements under consideration.

**4. Update– Sale of Generation Facilities Proposal(s).**

**Explanation:** Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Sale of Generation Facilities Proposals under consideration.

**5. Update – Professional Services – Troutman Sanders, LLP.**

**Explanation:** Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the professional services contract with Troutman Sanders, LLP, Attorney's at Law, on the work done to date in securing a plant operator and creating an Asset Sale and Purchase Agreement.

**6. Update – Professional Services – Power System Engineers, LLC.**

**Explanation:** Administration is requesting the City Council extend the professional services contract with Power System Engineering, Minneapolis, Minnesota, through December 31, 2011.

**7. Update – Environmental Work Plan.**

**Explanation:** Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Environmental Work Plan being completed by Mountain Engineering, Inc. of Iron Mountain, Michigan.

**8. Update – Coal Bid.**

**Explanation:** Administration will update the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the recently submitted coal bid request.

**9. Update – Power Purchase Agreement(s) – Short Term/ Long Term – Power Cost Options.**

**Explanation:** Administration will provide an overview and update on the various options being considered for short-term and/or long-term power. Additionally a review will take place on future options being investigated by the Administration in securing reliable, long-term power.

**GENERAL PUBLIC COMMENT**

**COMMISSION/STAFF COMMENT AND ANNOUNCEMENTS**

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

Respectfully Submitted,

James V. O'Toole  
City Manager

**OFFICIAL PROCEEDINGS**  
**CITY COUNCIL**  
**ELECTRICAL ADVISORY COMMITTEE**  
**CITY OF ESCANABA, MICHIGAN**  
**Special Joint Meeting**  
**Tuesday, March 15, 2011**

Pursuit to a special meeting posted March 3, 2011, the meeting was called to order by the Mayor Gilbert X. Cheves at 6:00 p.m. in the Council Chambers of City Hall located at 410 Ludington Street.

Present: Mayor Gilbert X. Cheves, Mayor Pro Tem Leo J. Evans, Council Members Patricia A. Baribeau, Pete Baker, and Brady L. Nelson.

Absent: None.

Present: Electrical Advisory Committee Members: Chairman Ronald Beauchamp, and John Anthony (left at 7:14 p.m.), Ann Bissell, Glendon Brown, Don Racicot, and Tim Wilson.

Absent: One Vacancy, and Larry Arkens

Also Present: City Manager James V. O'Toole, Electric Superintendent Mike Furmanski, City Controller Mike Dewar, City Attorney Ralph B. K. Peterson, Power Plant Manager Jerry Pirkola, Consultant Tom Butz of Power Systems Engineering (PSE), Dave Krause of Krause Power Engineering, LLC, members of the public, and Media.

Evans Moved, Baker seconded, CARRIED UNANIMOUSLY, to approve the agenda as presented.

**UNFINISHED BUSINESS - None**

**CONFLICT OF INTEREST - None**

**PUBLIC HEARING - None**

**NEW BUSINESS**

**Update - Power Plant Operations.**

Power Plant Operator Jerry Pirkola discussed current plant operations, plant maintenance issues and costs associated with the operation of the facility. The following was reviewed:

- Unit 1 was repaired and available, but had not been called into use. Unit 2 was available, and the CT unit ran once last month;
- Approximately 30,000 tons of coal was available on the dock;
- O&M budget was reviewed with members and those in attendance.

**Update - Electric Department.**

Electrical Superintendent Michael Furmanski discussed current departmental activities and operations. Mr. Furmanski reviewed the following:

- Tree trimming was in full swing;
- Reviewed Repairs and Maintenance Report;
- Working on Pole bid for South Lincoln Road project;
- When ground thawed, replacement pole project would begin;
- Update on Stephenson Avenue Light Poles;
- Reviewed an outage cause and duration program. Report would be forwarded to Board Members.

**Update – Electric Department – Substation.**

Mr. Dave Krause, of Krause Power Engineering, LLC, updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the new electrical substation being designed for the City of Escanaba. The following questions were raised and reviewed:

- ATC, since they had a considerable investment in the City Project, asked the City to put the project on hold until a firm commitment was made for the sale of the Power Plant;
- Answered various Board Member questions regarding the conceptual design of the new substation;
- Discussed enforcement of power factors once Power Plant was sold, and a rate study was performed.

**Update– Operation and Maintenance Agreement(s).**

Manager O'Toole updated City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Operation and Maintenance Agreements under consideration. (See Attachment – A)

- Preliminary review from Troutman Sanders was given to Board Members;
- City was still negotiating with the three parties who submitted proposals, Traxys, Recast and Pro Energy Services;

**Update– Sale of Generation Facilities Proposal(s).**

PSE Consultant Tom Butz updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Sale of Generation Facilities Proposals under consideration. (See Attachment – B)

- It was advised Traxys, Recast and Pro Energy Services were equally interested in purchasing the Power Plant. Because of that, the O&M and Plant Sale negotiations were being handled in parallel in case the party selected for the O&M contract, which would also be the contractor who purchases the Power Plant.

**Update – Environmental Work Plan.**

Manager O'Toole read a report from Byron Berry to the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the Environmental Work Plan being completed by Mountain Engineering, Inc. of Iron Mountain, MI. Project was expected to be completed by the end of April. Final Plan would be submitted to Board Members and then submitted to MDNR. (See Attachment – C)

**Update- MISO Matters.**

PSE Consultant Tom Butz provided an overview and update on the impacts of congestion on Escanaba power costs and the impacts of the December 2010 FERC ruling of cost sharing of renewable transmission additions for multi-value projects being socialized across MISO. (See Attachment – D)

**Update – Coal Bid.**

Manager O'Toole and Electric Superintendent Mike Furmanski updated the City Council, Electrical Advisory Committee and Citizens of Escanaba on the status of the current coal request for proposal. After reviewing specifics of the RFP, Manager O'Toole stated the RFP's were scheduled to be open on March 22, 2010.

**Update – Power Purchase Agreement(s) – Short Term/ Long Term – Power Cost Options.**

Administration and PSE Consultant Tom Butz provided an overview and update on the various options being considered for short-term and/or long-term power. Additionally a review would take place on future options being investigated by the Administration in securing reliable, long-term power. (See Attachment – E)

**GENERAL PUBLIC COMMENT - None**

**COUNCIL/COMMITTEE, STAFF REPORTS - None**

**ADJOURNMENT**

Hearing no further public comment, or further reports from the Electrical Advisory

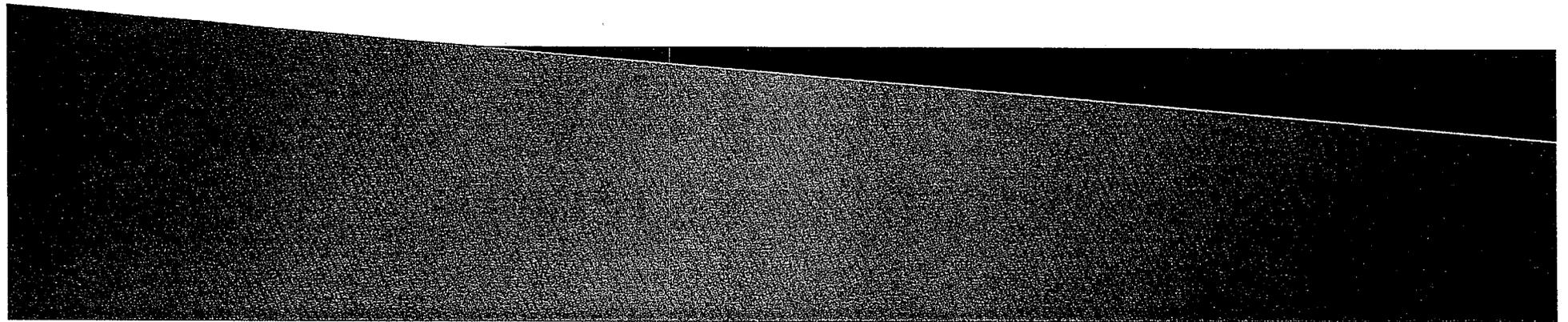
Joint City Council & Electrical Advisory Minutes  
March 15, 2011 – cont.  
Committee and Council, the meeting adjourned at 7:36 p.m.

Respectfully submitted,

Robert S. Richards, CMC  
City Clerk

Approved: \_\_\_\_\_  
Gilbert X. Cheves, Mayor

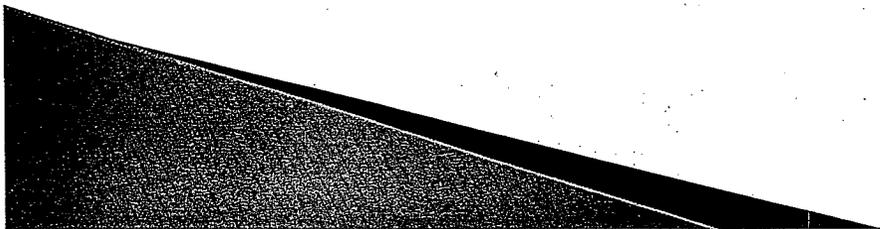
**Joint City Council and Electrical  
Advisory Committee Study  
Session  
3/15/11**



# Agenda Item 4

## Update on O&M Agreement

- ▶ Draft O&M Agreements Received By All Three Parties
- ▶ High Level Legal Review Summarizing Main Issues
- ▶ O&M Agreement Part of the Evaluation for Plant Purchase Entity
- ▶ No Action Recommended Tonight



# Agenda Item 5

## Sale of Generation Proposals

- ▶ Clarify Positions on Transition from Initial O&M Role to Asset Transfer
    - Key Elements
      - Owner Receives Air Permit
      - PPA Selling Renewable Generation
      - Environmental Cleanup
      - EPC to Perform Conversion
      - Financing for Conversion
      - MISO Outage Scheduling
  - ▶ Expected Transition Timelines 6–12 Months
    - Dec 2010 – June 2012
    - ▶ Creating Key Agreement Provisions Summary
- 

From: "Myron Berry" <myron.berry@berryeng.com>  
To: jotoole@escanaba.org  
Subject: Re: Update  
Attachments: Escanaba Power Plant Figure 4 3-15-11.pdf

Date: Tuesday, March 15, 2011 4:43 PM  
HTML | Plain Text | Header | Raw Content

Update on the investigation activities at the Escanaba Power plant.

On February 24, 2011, geoprobe tubes were advanced at the locations shown on the attached preliminary figure. The tubes were examined on site and the soil horizons identified. The tubes in the pole storage area (B-1 through B-9) were sampled near the surface to compare to previous samples results. Little evidence of coal or coal ash was observed in most of these tubes.

The remaining probes were sampled, as appropriate, where a potentially contaminated layer appeared. Either coal, coal ash, or a black dust were identified in several of these tubes. One sample of the coal dust from the AS probes was collected for both metals analysis and analysis by the toxic characteristic leaching procedure (TCLP). This will determine not just which metals are present, but the likelihood they will leach into the groundwater. Often, metals are held in the matrix and not released.

The samples were submitted for analysis for the Michigan 10 metals. The results have been received, are being tabulated and compared to the results from the previous investigation. At that point, recommendations for further action will be prepared and presented.



NOT TO SCALE



MOUNTAIN ENGINEERING, Inc.  
AND SURVEYING

ENVIRONMENTAL ASSESSMENT  
CITY OF ESCANABA POWER PLANT  
2200 POWER PLANT ROAD  
ESCANABA, MICHIGAN

DATE:  
3/01/2011

PROBE LOCATIONS

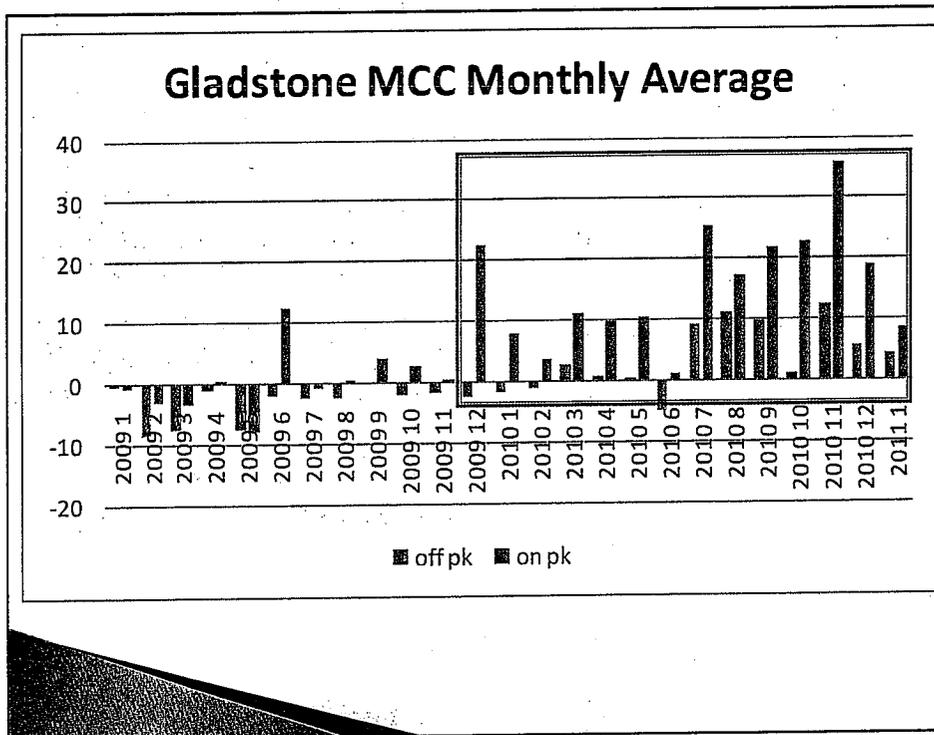
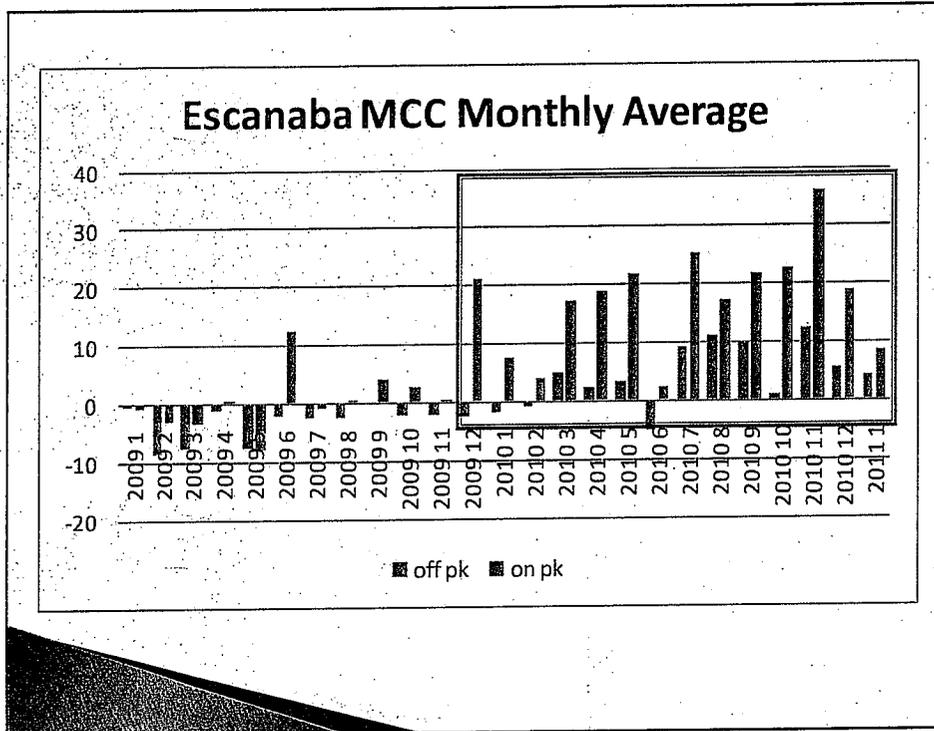
PAGE 4 OF 4

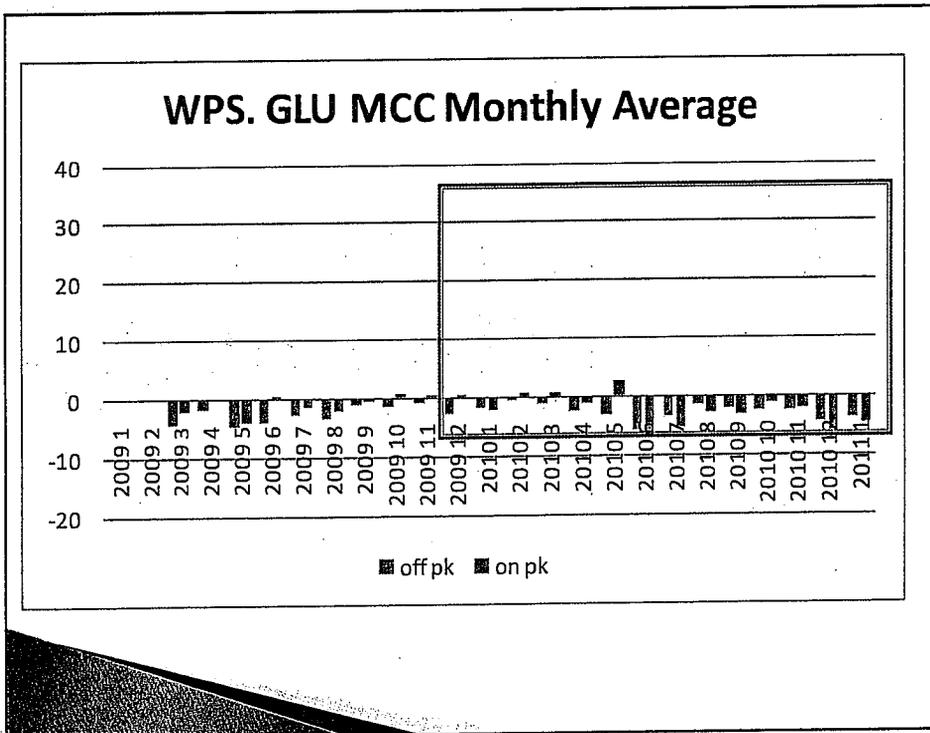
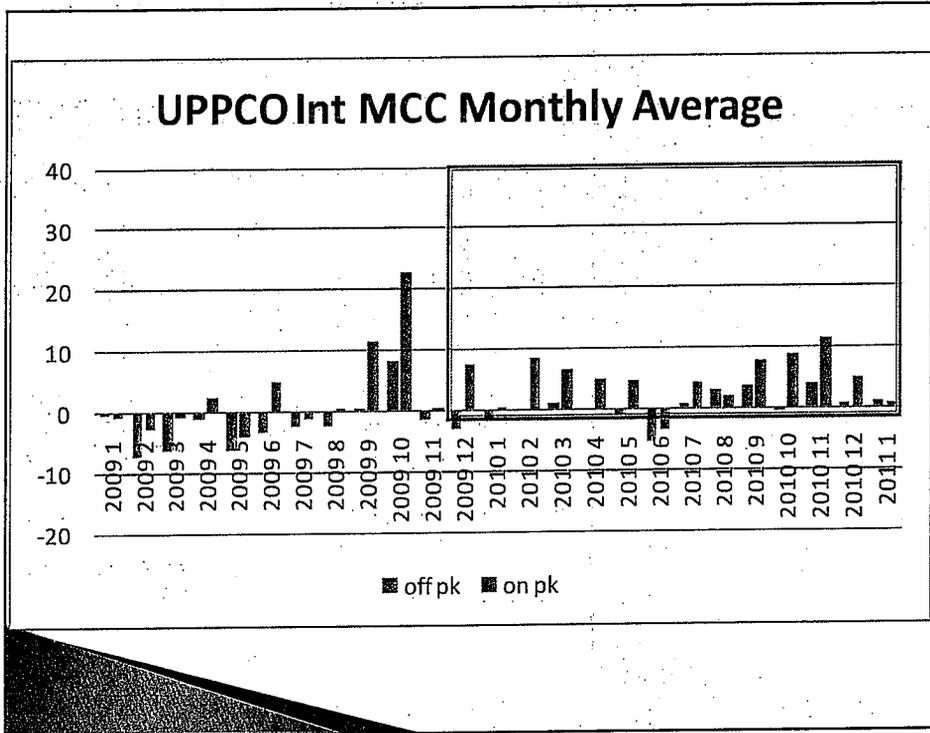
## Agenda Item 7 MISO Matters

1. Congestion Impacts on Escanaba Costs
2. Impacts of December 2010 FERC  
Transmission Additions Cost Sharing Ruling

### 1. Congestion Impacts on Escanaba Costs

- ▶ Congestion is Price Signal
  - Inability of Node to Purchase Lowest Cost Generation
  - Based on Actual Facility Limitation – Price Signal Based on Next Problem on System
    - Example – Outage of Single Transmission Substation Transformer
- ▶ Compare Escanaba Node to Gladstone and UPPCO Integrated, and WPS.GLU Node \$/MWh





## Congestion Conclusions

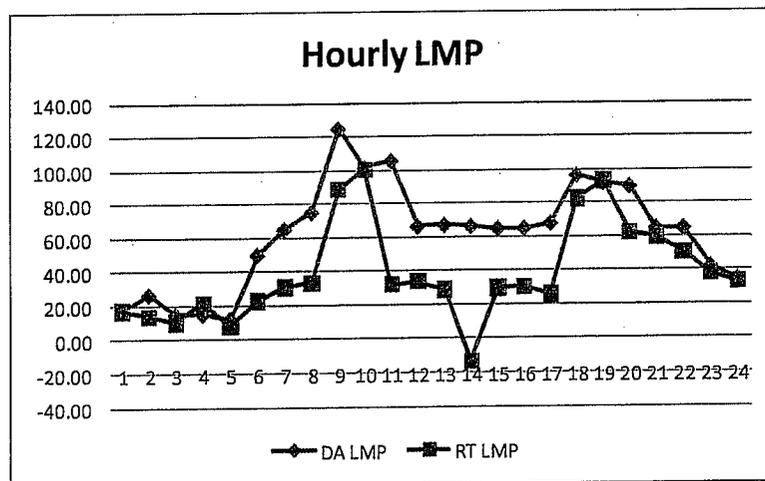
- ▶ Escanaba Congestion is High
- ▶ Transmission Improvements will Reduce Congestion
- ▶ Future Purchase Power Arrangements will Involve Congestion Cost Differences from Source to Escanaba Node

## Load Forecast Error

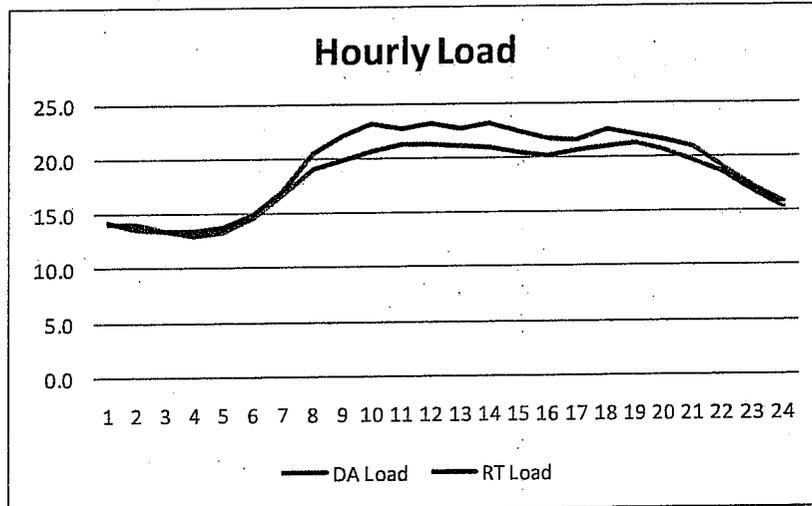
## LD Fcst – Look at 24 Hour Period

- ▶ DA LMP
- ▶ RT LMP
- ▶ Load
- ▶ Long/Short Position in RT
- ▶ Gains / Losses – Position in RT

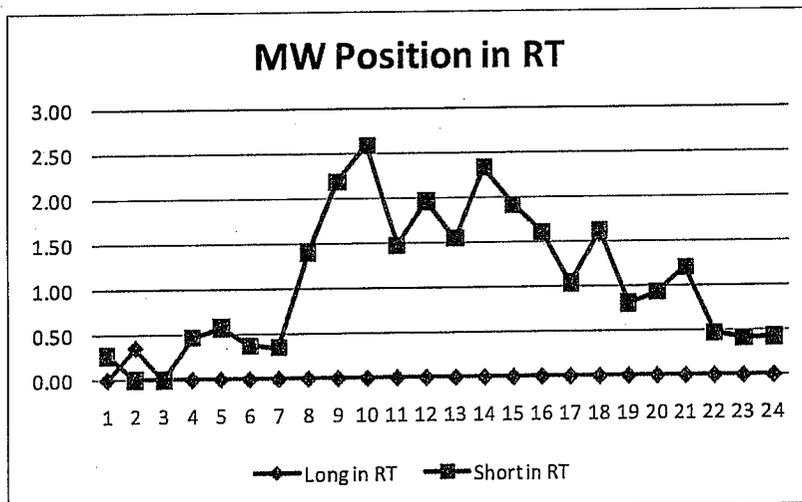
## Prices – December 1, 2010



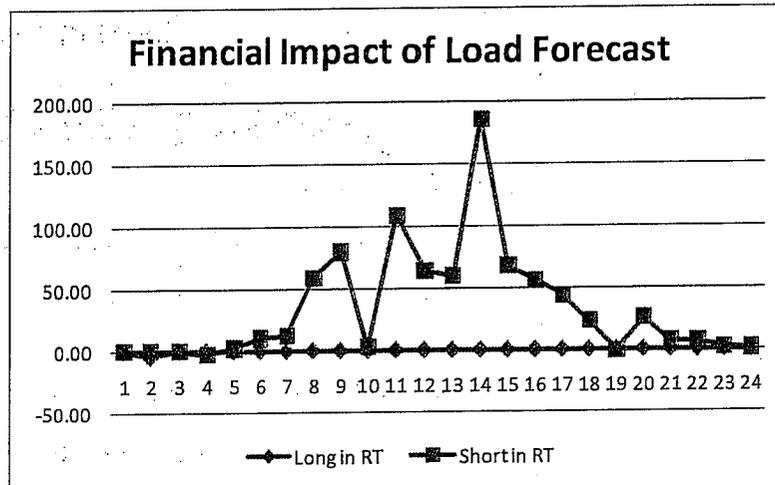
## Load - December 1, 2010



## Load Forecast Error - Hourly



## Load Forecast Error – Hourly \$



## December 2010 Totals

- ▶ Load Forecast Error Cost
  - \$1,262
- ▶ Total DA Load Cost
  - \$740,933.53
- ▶ Total Load Serving Cost
  - \$742,196.09
- ▶ LMP Cost of Load Forecast Error (% of Total)
  - 0.17% of Load Serving Cost

## 2. December 2010 FERC Order

### ▶ Memo summarizing Issue Provided

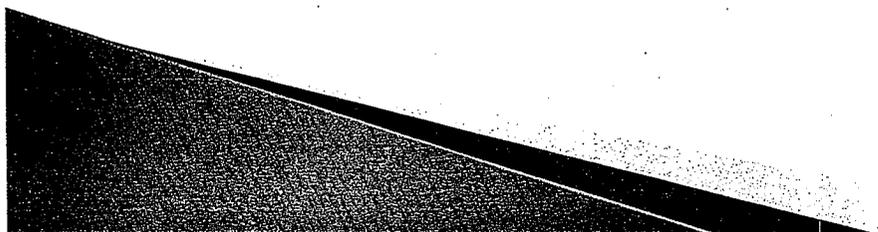
#### ▶ Summary:

- Transmission Currently Priced by Zone
- Zone Transmission Costs Paid by Customers
- Multi-Value Projects (MVP)
  - Projects Considered of Value to Entire MISO Footprint
  - Costs paid by all MISO Members
  - Total Proposed Projects \$4.6 Billion
- Current Total Transmission Net Book Value \$11.9 Billion.
- Two Projects Approved
  - \$510 M Michigan Thumb Wind Transmission
  - \$150 M South Dakota-Minnesota Transmission

# Agenda Item 9

## Purchase Power Agreement(s)

- ▶ Continued Contact with Short Term Purchase Power Entity
- ▶ Monitor Congestion Risk Issue
- ▶ Market Price Increases Will Push Strategy to Longer Term Approach
- ▶ Pursuing Possible Option of Providing Party Fixing Date of Buying Renewable Energy
  - During Transition of Plant Buyer to Secure Sales Contract



cc/EAC  
4/13/11  
NB #1

Escanaba Generating Station Actual versus Budget 2010 & 2011

OPERATION		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD Total	TOTAL	YTD Diff
					2010					2011						
Operation Expenses	Prev.	114,742	120,081	117,786	169,400	149,484	159,293	133,378	133,207	123,604	146,385	196,464	154,274	1,097,370	1,718,098	
Less Fuel	Est.	133,280	133,280	133,280	199,920	133,280	133,280	133,280	133,280	133,280	199,920	133,280	133,280	1,132,880	1,732,640	
With Fuel & Ash Labor	Act.	132,336	147,524	147,427	191,156	163,000	202,421	137,419	142,421	0	0	0	0	1,263,704	1,263,704	130,824
Maint. Expense	Prev.	79,047	119,974	56,721	106,670	69,988	50,299	44,630	59,729	62,028	115,376	92,992	76,587	587,057	934,040	
	Est.	100,000	100,000	150,000	180,000	100,000	60,000	60,000	60,000	60,000	90,000	60,000	60,000	810,000	1,080,000	
	Act.	66,657	34,388	51,458	45,068	29,608	94,696	176,094	151,685	0	0	0	0	649,653	649,653	-160,347
O&M (Less Fuel)	Prev.	193,788	240,054	174,507	276,070	219,472	209,592	178,007	192,936	185,632	261,761	289,456	230,861	1,684,428	2,652,138	
	Est.	233,280	233,280	283,280	379,920	233,280	193,280	193,280	193,280	193,280	289,920	193,280	193,280	1,942,880	2,812,640	
	Act.	198,993	181,912	198,885	236,224	192,608	297,117	313,512	294,106	0	0	0	0	1,913,357	1,913,357	-29,523
Fuel (Burn Only)	Prev.	203,130	216,442	269,148	324,200	337,786	397,872	446,212	308,571	338,537	310,758	291,849	323,473	2,503,361	3,767,978	
	Est.	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	320,000	2,560,000	3,840,000	
	Act.	672,477	694,306	535,361	491,114	557,139	341,385	405,346	323,697	0	0	0	0	4,020,824	4,020,824	1,460,824
Total O&M	Prev.	396,919	456,497	443,655	600,270	557,258	607,464	624,219	501,507	524,169	572,519	581,305	554,334	4,187,789	6,420,116	
	Est.	553,280	553,280	603,280	699,920	553,280	513,280	513,280	513,280	513,280	609,920	513,280	513,280	4,502,880	6,652,640	
	Act.	871,470	876,218	734,246	727,338	749,747	638,502	718,858	617,802	0	0	0	0	5,934,181	5,934,181	1,431,301
A&G	Prev.	95,000	105,000	105,000	105,000	105,000	105,000	59,948	105,000	105,000	105,000	105,000	105,000	784,948	1,204,948	
	Est.	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	107,500	860,000	1,290,000	
	Act.	105,000	105,000	105,000	105,000	105,000	105,000	105,000	-165,172	0	0	0	0	569,828	569,828	-290,172
Management Fee	Prev.	3,287	3,287	3,287	3,287	3,287	3,287	3,287	3,287	3,287	3,287	3,287	3,369	26,296	39,526	
	Est.	3,369	3,369	3,369	3,369	3,369	3,369	3,369	3,369	3,369	3,369	3,369	3,453	26,952	40,512	
	Act.	3,632	3,632	3,632	3,631	3,631	3,631	3,631	3,631	0	0	0	0	29,051	29,051	
Total O&M with A&G	Prev.	497,448	567,070	556,047	713,900	669,626	721,821	693,412	613,191	637,495	684,916	692,574	687,293	5,032,515	7,714,793	
Ash & Management Fee	Est.	669,619	669,619	719,619	816,259	669,619	629,619	629,619	629,619	629,619	726,259	629,619	629,619	5,433,592	8,048,708	
	Act.	993,118	997,068	851,195	842,395	867,608	751,523	832,539	460,299	0	0	0	0	6,595,746	6,595,746	1,162,154
City Load (mwhrs)	Prev.	11,591	11,921	11,550	11,318	11,689	13,034	13,117	11,502	12,171	11,104	11,800	11,923	95,722	142,520	
	Est.	11,500	11,500	11,500	11,000	11,500	13,000	13,000	12,500	12,500	11,500	11,000	11,500	95,500	142,000	
	Act.	12,910	11,854	9,561	9,531	9,659	10,692	13,557	11,873	0	0	0	0	89,636	89,636	-5,864
Net Generation Stm (mwhrs)	Prev.	2,809	3,038	4,748	5,768	5,729	6,532	7,010	4,690	5,337	4,805	4,410	4,880	40,325	59,756	
	Est.	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	40,000	60,000	
	Act.	10,465	10,812	3,269	7,403	9,005	5,282	6,394	5,159	0	0	0	0	62,769	62,769	22,769
Coal Burnt (Tons)		6,611	6,826	5,263	4,828	5,477	3,356	3,985	3,182	0	0	0	0	39,529		(+) = above budget
Megawatts/Tons Coal		1.58	1.58	1.57	1.53	1.64	1.57	1.60	1.62					1.59		(-) = below budget
Coal on Dock EOM (tons)		63,306	56,480	51,217	46,389	40,912	37,555	33,570	30,388							
Ash Landfilled (Tons)		1,306	1,243	937	789	1,009	629	681	601	0	0	0	0	7,195		
Ash Expense	Prev.	5,529	5,574	7,392	8,629	7,368	9,357	9,245	6,684	8,325	7,397	6,270	7,959	59,778		
	Est.	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	8,839	70,712	106,068	
	Act.	16,648	15,850	11,949	10,057	12,861	8,021	8,681	7,669	0	0	0	0	91,737	91,737	
Outage Hours Unit 1		0.0	0.0	48.0	0.0	139.4	488.0	458.7	624.0					1,756.1		
Outage Hours Unit 2		0.0	0.0	0.0	0.0	0.0	155.1	0.0	0.0					155.1		
STM Availability %		100.0	100.0	96.7	100.0	90.3	56.9	69.2	53.6					83.3 %		
<b>Combustion Turbine</b>																
CT Net Generation (mws)		304	184	48	58	-27	105	-8	-13					651		
CT Total Starts		5	5	2	3	0	4	1	1							
CT Operating Hours Total		44.7	31.9	10.4	8	0	20.5	4.5	5.5					125.5		
MISO Dispatch		44.7	31.9	9.6	8	0	19	4.5	5.5					123.2		
Maintenance & Testing		0	0	0.8	0	0	1.5	0	0					2.3		
Fuel Used (gal) (Meter Month)		48,462	33,072	11,194	10,287	0	22,112	4,939	4,873					134,939		
Fuel Used Costs (Meter Month)		100,723	70,619	24,153	22,288	0	47,908	11,867	11,709							
Fuel Purchased (gal)		72,905	14,830	14,514	0	0	36,675	0	0					138,924		
Fuel Purchased Costs		156,061	33,043	31,892	0	0	95,764	0	0					\$316,759		
CT Total O/M		8,159	3,689	3,975	551	514	62,626	33,615	731					\$113,859		
CT Outage Hours		1.5	15.3	15.2	9.8	62.5	302.5	0.0	0.0					406.8		
CT Availability %		99.8	97.9	97.9	98.7	91.3	59.3	100.0	100.0					93.12 %		

NB # 5  
CC/EAC  
4/13/11

TROUTMAN SANDERS LLP

**Payment Remittance Address**  
Troutman Sanders LLP  
P.O. Box 933652  
Atlanta, Georgia 31193-3652

ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP  
FEDERAL ID No. 58-0946915

**Office Address**  
600 Peachtree Street, NE  
Suite 5200  
Atlanta, GA 30308-2216

BILLING INQUIRIES:  
404-885-2508

Escanaba, Michigan, City of  
Attn: James V. O'Toole, City Manager  
410 Ludington St  
Escanaba, MI 49829-3924

Invoice Date 04/06/11  
Submitted by B C Harms  
Direct Dial 404-885-3682  
Invoice No. 1343820  
File No. 236154

**RE: Current Invoice for Period Ending 03/31/11**

<u>Client.Matter</u>	<u>Matter Name</u>	<u>Fees</u>	<u>Disbs</u>	<u>Total</u>
236154.000003	Oper. and Mgmt. Agreement Negotiations	22,171.50	0.00	22,171.50
236154.000004	Asset Sale Agreement Negotiations	9,147.00	0.00	9,147.00
	Totals	31,318.50	0.00	31,318.50
	<b>Total Amount of This Invoice</b>			<b>\$31,318.50</b>

IN ACCOUNT WITH

**TROUTMAN SANDERS LLP**  
ATTORNEYS AT LAW

Invoice Date 04/06/11  
Invoice Number 1343820  
File No. 236154.000003  
Page 2

Escanaba, Michigan, City of  
Oper. and Mgmt. Agreement Negotiations

**FEES FOR PROFESSIONAL SERVICES RENDERED THROUGH 03/31/11**

<b>Date</b>	<b>Init</b>	<b>Description of Work Performed</b>	<b>Hours</b>	<b>Amount</b>
03/06/11	TRC	Review proposed draft Operation and Maintenance Agreement; e-mail to client regarding same	4.7	2,749.50
03/07/11	TRC	Conference call and e-mails with client; review request for proposals for Operation and Maintenance Agreement and Asset Sale Agreement; begin preparing comments on Operation and Maintenance Agreement	2.4	1,404.00
03/08/11	TRC	Review Operation and Maintenance Agreement and prepare issues list with respect to same	3.6	2,106.00
03/09/11	TRC	Review and prepare issues list with respect to draft Operation and Maintenance Agreement	5.3	3,100.50
03/10/11	TRC	Review and prepare issues list with respect to draft Operation and Maintenance Agreement	3.8	2,223.00
03/11/11	TRC	Review Operation and Maintenance Agreements and distribute comments with respect to same to client	4.3	2,515.50
03/25/11	TRC	Review comments from City of Escanaba regarding Operation and Maintenance Agreement	0.3	175.50
03/29/11	TRC	Draft and revise Operation and Maintenance Agreement; e-mails regarding Traxys proposal	5.8	3,393.00
03/30/11	TRC	Revise and distribute Operation and Maintenance Agreement to City of Escanaba	7.7	4,504.50
<b>Totals</b>			<b>37.9</b>	<b>22,171.50</b>

**TIMEKEEPER TIME SUMMARY THROUGH 03/31/11**

<b>Initials</b>	<b>Name</b>	<b>Hours</b>	<b>Rate</b>	<b>Amount</b>
TRC	Coles	37.9	585.00	22,171.50

IN ACCOUNT WITH

TROUTMAN SANDERS LLP  
ATTORNEYS AT LAW

Invoice Date 04/06/11  
Invoice Number 1343820  
File No. 236154.000004  
Page 3

Escanaba, Michigan, City of  
Asset Sale Agreement Negotiations

**FEES FOR PROFESSIONAL SERVICES RENDERED THROUGH 03/31/11**

<b>Date</b>	<b>Init</b>	<b>Description of Work Performed</b>	<b>Hours</b>	<b>Amount</b>
03/12/11	TRC	Prepare Asset Purchase and Sale Agreement issues list	3.6	2,106.00
03/13/11	TRC	Prepare Asset Purchase and Sale Agreement issues list for client and distribute same	5.1	2,983.50
03/14/11	TRC	E-mail comments to City of Escanaba with respect to Asset Sale and Purchase Agreement	0.3	175.50
03/15/11	TRC	Review and revise letter to Traxys and send detailed e-mail to City of Escanaba regarding same	1.2	702.00
03/16/11	TRC	Conference call with Tom Butz and City of Escanaba regarding Asset Sale and Purchase Agreement, Operation and Maintenance Agreement and draft letter to Traxys; review City of Escanaba comments with respect to Asset Purchase and Sale Agreement Term Sheet; review revised letters to bidders	2.3	1,345.50
03/22/11	TRC	E-mail regarding letter to Traxys; review same	0.3	175.50
03/23/11	TRC	Telephone conference with Doug Henderson regarding environmental issues; review Traxys letter in connection with same	0.8	468.00
03/23/11	DAH	Review Traxys' proposed revisions to environmental terms; prepare comments with respect to same	0.8	420.00
03/24/11	TRC	E-mail to City of Escanaba regarding environmental language in letter to Traxys	0.3	175.50
03/24/11	DAH	Review purchaser's proposed revisions to environmental terms; prepare for comments on definitions	0.8	420.00
03/25/11	TRC	Conference call with client regarding Traxys letter	0.3	175.50
<b>Totals</b>			<b>15.8</b>	<b>9,147.00</b>

**TIMEKEEPER TIME SUMMARY THROUGH 03/31/11**

<b>Initials</b>	<b>Name</b>	<b>Hours</b>	<b>Rate</b>	<b>Amount</b>
TRC	Coles	14.2	585.00	8,307.00
DAH	Henderson	1.6	525.00	840.00

# TROUTMAN SANDERS LLP

**Payment Remittance Address**  
Troutman Sanders LLP  
P.O. Box 933652  
Atlanta, Georgia 31193-3652

ATTORNEYS AT LAW  
A LIMITED LIABILITY PARTNERSHIP  
FEDERAL ID No. 58-0946915

Office Location:  
600 Peachtree Street, NE  
Suite 5200  
Atlanta, GA 30308-2216

Billing Inquiries:  
404-885-2508

**For Payments by Wire**  
Wells Fargo Bank, N.A., Atlanta, Georgia  
ABA #061000227  
To Credit Troutman Sanders LLP  
Operating Account #2052700305792  
Reference Attorney: B C Harms  
Reference Client: 236154  
From International Locations please add Swift  
Address/Code: PNBP US 33

Escanaba, Michigan, City of  
Attn: James V. O'Toole, City Manager  
410 Ludington St  
Escanaba, MI 49829-3924

Invoice Date 04/06/11  
Submitted by B C Harms  
Direct Dial 404-885-3682  
Invoice No. 1343820  
File No. 236154

**Total Amount of This Invoice**

**\$31,318.50**

*NG#6 4/13/11  
cc/esc.*  
Previous

**From:** "Mike Dewar City Controller" <MDewar@escanaba.org>  
**To:** jotoole@escanaba.org  
**Subject:** Power Systems Engineering Contractv

**Date:** Thursday, April 07, 2011 2:54 PM  
**HTML | Plain Text | Header | Raw Content**

According to my notes, the last City Council approval of PSE services occurred in September, 2010. Expenditures made under that approval since that date are listed below. The amounts total \$90,361.15.

10/14/2010	September, 2010	22,376.50
11/15/2010	October, 2010	17,646.84
12/16/2010	November, 2010	20,785.62
01/28/2011	December, 2010	6,460.00
02/25/2011	January, 2011	6,187.50
03/23/2011	February, 2011	16,904.69

Michael Dewar  
City Controller  
(906) 789-7300

Bidder	Spec A or B	BTU/lb	% ash	% moisture	\$/ton	Fuel Surcharges	\$/MMBtu
Alpha	B	12,350	11.5	7	\$95.75	0	\$4.0198
Alpha	A	12,350	11.5	7	\$104.00	0	\$4.3538
C Reiss Lump Sum	B	12,350	12	7	\$99.80	\$4.50	\$4.3722
C Reiss Monthly	B	12,350	12	7	\$102.35	\$4.50	\$4.4754
DTECS	B	11,900	12	7	\$106.60	TBD	\$4.4790
Transcor	B	12,200	12	8	\$109.95	TBD	\$4.6575
Smoky Mountain	B	12,300	12	8	\$111.00		\$4.6623

- Notes:**
- 1) Both C Reiss bids require buyer to pay fuel surcharge, which is currently \$3.95/ton for rail and \$0.55 for vessel.
  - 2) The Alpha bid did not include any fuel surcharges.
  - 3) The Smoky Mountain bid did not include delivery. An estimate of \$29/ton was used.
  - 4) DTECS and Transcor bids will have fuel surcharges, but they are not defined.
  - 5) Spec A contains up to 40% fines, Spec B contains up to 50% fines.
  - 6) C Reiss was the only bidder to provide pricing for the 2 options of when we pay for the coal.  
 The Lump Sum option we would pay the full amount within 30 days of delivery.  
 The Monthly option we would pay for the coal used in the preceeding month by the 10th day of the current month.

NR# 8  
 CC/EAC  
 4/13/11

## NOTICE TO BIDDERS

Sealed bids will be received by the City of Escanaba at the office of the City Clerk, on or before 2p.m. e.s.t, on: **Tuesday, March 22, 2011**

The bids will be publicly opened and read in Room 101 in the City Hall located at 410 Ludington Street, Escanaba, Michigan at said date and time.

Bidder's proposals, and/or specifications may be obtained from the office of the City Clerk, located at 410 Ludington Street, Escanaba, Michigan, 49829. No bids will be considered unless the proposal form and /or specifications (furnished by the City of Escanaba, Michigan), are properly completed and enclosed in a sealed envelope, marked:

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### **CITY OF ESCANABA COAL BID OF 2011**

In addition, the City of Escanaba, Michigan will not consider any proposal which has not been received prior to the published time, date and year of bid opening. (FAX transmittals will not be accepted.)

The City of Escanaba, Michigan reserves the right to reject any or all bids, or any part thereof at its discretion, and to waive any irregularities in the bidding. The City of Escanaba, Michigan may also split bids at its discretion. The City further reserves the right to negotiate directly with any and all bidders concerning any matter related to any bid.

All City of Escanaba, Michigan bids are prepared to afford all vendors the equal opportunity for fair and equitable competition. The City of Escanaba, Michigan assumes no liability or responsibility for any errors or oversights in the preparation and/or publication of bids.

Thomas J. Penegor  
Purchasing Agent  
City of Escanaba

March 4, 2011

REQUEST FOR QUOTATION  
ESCANABA GENERATING STATION COAL

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Dear Sir/Madam:

**Request for Proposals (RFP)**

The City of Escanaba, Michigan will be accepting sealed bids until 2:00 P. M. Eastern Prevailing Time, Tuesday, March 22, 2011, for the furnishing of Bituminous Steam Coal used in the generation of electricity at the Escanaba Generating Station in Escanaba, Michigan. This coal is to be transported to The C. Reiss Coal Company dock in Escanaba, Michigan. Coal prices may be bid F.O.B. Mine, or F.O.B. vessel at a Great Lakes origin port, or delivered to The C. Reiss Coal Company dock in Escanaba, Michigan. Bids that include all transportation to The C. Reiss Coal Company dock in Escanaba, Michigan may be given preference.

**BID SPECIFICATIONS:**

I. Tonnage and Term

Escanaba Generating Station is seeking the following quantities:

Lake Season	Base Quantity (net tons)	Quantity Flexibility at City of Escanaba's Option (net tons)
2011	30,000	± 15,000

The nominal cargo weight is considered to be 15,000 tons, so 30,000 tons would typically require two cargos.

II. Preparation

- a) The coal that is to be delivered must be free from extraneous materials at all times.
- b) A high percentage of fines in the coal has resulted in problems during plant operations. Coal delivered from two or more mines may be averaged to meet the fines specification on a weighted average basis; however, the fines limit must be

adhered to for each delivery. Bidders shall specifically confirm their ability to meet this specification.

- c) The City of Escanaba acknowledges that the average heat content of the delivered coal may vary from the base heat content quality parameter. Coal delivered from two or more mines may be averaged to meet this specification; however, the minimum must be achieved for each cargo shipped.
- d) The method of mining (strip, auger, deep, longwall, etc.) shall be indicated.

III. Quality Specifications – “As Received”

Bids are requested for coal meeting two separate sets of specifications. Bidders are encouraged to bid on both sets of specifications, but may bid on only one.

Specification Set A

Size	2" x 0 unwashed and intermediate sizes
Moisture Content	Not to exceed 8.0%
Ash Content	Not to exceed 12.0%
Sulfur Content	Not to exceed 1.4% but not less than 0.9%
Volatile Matter	Not less than 30.0%
Heat Content	Not less than 11,800 BTU/lb.
Ash Fusion Temp. (Reducing Atmosphere)	Not less than 2,600 °F, fluid
Grindability – HGI	35 minimum & 60 maximum
Fines	Not to exceed 40% minus ¼" F.O.B. Mine

Specification Set B

Specification Set B is identical to Specification Set A except that the allowable fines percentage is increased as follows:

Fines	Not to exceed 50% minus ¼" F.O.B. Mine
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The City of Escanaba reserves the right to reject, at no expense to the City of Escanaba, cargos that fail to meet any or all specifications on an individual cargo basis. Seller must reconsign such unit train(s) to another buyer at no expense to the City of Escanaba.

IV. Substitute Coal

In addition to delivering coal from the mine(s) as indicated on the bid forms, Seller shall have the right to ship coal from other sources for blending or shortage make-up purposes provided:

- (1) The City of Escanaba has first granted approval for the substitution.

- (2) The delivered cost per million Btu of burning the substitute coal shall not exceed the delivered cost per million Btu of burning the coal from Seller's mine.
- (3) The substitute coal shall be within the range of the typical coal characteristics as set forth in the applicable specification set in Quality and Specifications – "As Received" as shown herein.

V. Force Majeure Provision

- ~~(a) Bidders are advised that the coal supply agreement will include the following "force majeure" clause:~~

"Notice of Complete or Partial Force Majeure"

- "(a) If, because of 'force majeure', either party is unable, wholly or in part, to carry out any of its obligations under this agreement (other than the obligation to make payments) for more than seventy-two (72) hours and if such party promptly gives the other party written notice of such 'force majeure', then the obligations of the party giving such notice shall be suspended to the extent made necessary by such 'force majeure' (including the initial seventy-two hour period); and the party suffering the 'force majeure' shall incur no liability by reason of its failure to perform the obligation so suspended, provided, however, that the disabling effect of such 'force majeure' shall be eliminated by the affected party as soon as and to the extent reasonably possible. In the event that one party's performance is suspended by 'force majeure', the other party's obligation to perform hereunder shall be suspended for the duration of the 'force majeure' and for such additional reasonable period as may be required because of the existence of the 'force majeure'.
- "(b) The term 'force majeure', as used herein, shall mean any cause which is not reasonably within the control of the party asserting the 'force majeure', and the adverse effects of which are not due to the fault or negligence of said party. "Force majeure" shall include but not be limited to, Acts of God, riot, insurrection, war, fire, flood, explosion, labor dispute, orders or acts of military or civil authority, derailment or mechanical breakdown of equipment vital to the loading or unloading operation.

BIDDER INSTRUCTIONS:

I. The bidder shall submit the following data for each coal offered:

- (a) At least one (1) proximate "As Received" and "Dry Basis" analysis including a guaranteed "As Received" heat content, ash content, and sulfur content high and low value.

- (b) The bidder shall set forth in the proposal, any facts helpful in determining the reliability of the coal supply available each applicable week of the lake-shipping season to the Great Lakes origin dock. The bidder shall also state the means by which the producer can provide uniform and consistent quality for each of the deliveries made.
- (c) The bid price is to be submitted in the manner of the enclosed COAL PROPOSAL form. In order for any proposal to be considered, the bid price must remain firm and the quantity offered must remain available for sale through December 31, 2011.

~~II. It shall be understood that if such bid results in a sale, the quality specifications as given in the bid for the total quantity of coal purchased, shall be met by the Seller in all respects subject to usual penalties (see III. below).~~

III. An assurance that the coal delivered will meet the guaranteed "As Received" heat content, ash content, sulfur content, and fines content limitations shown in the bid shall be given together with the penalty clauses for non-compliance.

IV. The successful bidder will be required to adhere as nearly as possible to the following conditions for all Seller coal delivered to The C. Reiss Coal Company Dock in Escanaba.

- (a) Lake shipments may begin at the beginning of the Great Lakes shipping season, which typically begins during April, and shall terminate no later than the end of the Great Lakes shipping season, which typically ends during December. Unless otherwise agreed by the City of Escanaba, shipments shall be scheduled to arrive at The C. Reiss Coal Company Dock in Escanaba no less than 30 days apart.
- (b) Lake vessels used for all shipments must, at the time the shipment is made, be on the current Michigan DEQ list of vessels reported as complying with the requirements of 1994 PA 451, Section 3103a of the Natural Resources and Environmental Protection Act. The list of complying vessels may be found on internet site [www.michigan.gov/deq](http://www.michigan.gov/deq) by following the links Water → Great Lakes → Ballast Water Reporting and then selecting the list for the appropriate year.
- (c) The Seller shall promptly furnish at its cost, a composite mine analysis of each shipment of coal sampled "As Received" and "Dry Basis" and a railcar loading sieve analysis. Bidders shall note under "Analysis Lab:" the name & location of the testing laboratory. The determination of the heat content and other characteristics of the coal sold hereunder (sampling and analyses) shall be made in accordance with methods and standards prescribed by the American Society of Testing and Materials (ASTM).
- (d) Analysis reports shall be forwarded to the City of Escanaba by electronic transmission or other prompt means of communication within twenty-four (24) hours of being available to Seller. Final documentation shall be in written form.
- (e) A composite sample of coal for each rail shipment shall be collected in accordance with ASTM method D 2234. Each composite sample shall be divided into three (3) portions, each portion to be placed and sealed in an airtight container and properly labeled. The first (1<sup>st</sup>) portion shall be analyzed by Seller's laboratory. The second (2<sup>nd</sup>) sample portion shall be sent to a laboratory of the City of Escanaba's choice

upon the City of Escanaba's request for analysis with the results being reported directly and only to the City of Escanaba. The third (3<sup>rd</sup>) portion shall be retained by the Seller for a period of at least one (1) month after the calendar month in which the sample was taken. The third (3<sup>rd</sup>) portion will be used for a referee analysis at a mutually agreed upon laboratory if a dispute arises regarding the analyses of the other two (2) portions.

V. The City of Escanaba reserves the right to average the Seller's and the City of Escanaba's analysis if there is a difference greater than the following:

- 
- (1) 150 BTU/lb. for "As Received" heat content;
  - (2) 2% for "As Received" Ash; and
  - (3) 0.1% for "As Received" Sulfur

for the determination of quality adjustments.

If differences of unexplained origin are found, termination of the coal sales agreement may result at the City of Escanaba's option.

VI. Bidders may bid more than one coal. Please submit a separate set of COAL PROPOSAL forms and attachments for each coal bid.

VII. Copies of the enclosed COAL PROPOSAL form may be used in submitting your bid. If the COAL PROPOSAL form is not used, the alternate form that is used must include all of the parameters shown on the COAL PROPOSAL form. Any additional information that you consider useful and is not indicated on the form, may be furnished under "Comments" or attached as additional pages.

VIII. All coal furnished by Seller may be inspected by the City of Escanaba's agents for quality, appearance, loss, and freedom from contaminants at the Great Lakes port of origin used as part of the transportation route to The C. Reiss Coal Company dock in Escanaba.

IX. Sealed bids are to be prepared and mailed or delivered to the address shown below in time for receipt no later than 2:00 p.m. (CDT) Tuesday, March 22, 2011. The mailing envelope (including delivery pouch) shall be clearly marked:

**"SEALED COAL BID – ESCANABA GENERATING STATION – March 22, 2011"**

Deliver to:

City of Escanaba  
City Clerk  
2011 Coal Bid  
P.O. Box 948  
Escanaba, MI 49829

March 4, 2011

Page 6

If delivered by other than U.S. Mail, the last two (2) lines of the address should be:

410 Ludington Street  
Escanaba, MI 49829

Bids arriving late may be ignored.

- X. The successful bidder(s) will be notified on or before April 22, 2011, after full consideration has been given to all proposals; it being understood that the City of Escanaba reserves the right to reject any and all bids and to purchase that coal which in its opinion best fits its overall requirements based on price, quality, service, reliability, etc.
- XI. The bid opening will be public and all bids submitted, regardless of whether or not accepted, will be the property of the City of Escanaba.

Proposals, which do not provide all the information requested, may be rejected. The City of Escanaba reserves the right to seek amplification of any proposal, reject any or all proposals, and to negotiate the terms of payment, general terms and conditions, and the final offer with selected bidders. The City of Escanaba also reserves the right to split the award between bidders.

Proposal evaluation criteria will take all coal quality specifications and the City of Escanaba's prior dealings with bidders into account. This should be considered in assigning values to specification guarantees. The City of Escanaba requests proposals for the full quantities specified. The City of Escanaba asks that proposals are not quoted "subject to prior sale."

If you have any questions regarding this solicitation, please call me at (906) 786-0061, or email me at [mfurmanski@escanaba.org](mailto:mfurmanski@escanaba.org)

Sincerely,



Michael Furmanski  
Electric Superintendent

Enclosures

COAL PROPOSAL FORM  
FOR ESCANABA COAL MADE TO  
CITY OF ESCANABA

Bids due no later than 2:00 p.m. (CPT) Tuesday, March 22, 2011

Date: \_\_\_\_\_

Producer: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

Producer  
Contact: \_\_\_\_\_

Sales Representative Company <sup>(1)</sup>: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_

Sales Representative Contact: \_\_\_\_\_

Mining Information:

Location: \_\_\_\_\_ State: \_\_\_\_\_ County: \_\_\_\_\_

Production Capacity: \_\_\_\_\_ Tons / Month

Methods of Mining: \_\_\_\_\_

Seams: \_\_\_\_\_

Methods of Preparation: \_\_\_\_\_

Shipping Point: \_\_\_\_\_

Origin Railroad(s): \_\_\_\_\_

Tipple Loading Capacity: \_\_\_\_\_ Cars \_\_\_\_\_ Loading Time <sup>(2)</sup>

Sampling Method: \_\_\_\_\_ Analysis Lab: \_\_\_\_\_

COAL PROPOSAL FORM  
FOR ESCANABA COAL MADE TO  
CITY OF ESCANABA

Coal Characteristics:

	<u>Typical</u>	<u>Monthly Average Guarantee</u>	<u>Shipment Reject</u>
BTU/lb. (min.):	_____	_____	_____
Sulfur (max.):	_____ %	_____ %	_____ %
#SO <sub>2</sub> /MMBTU (max.):	_____	_____	_____
Ash (max.):	_____ %	_____ %	_____ %
#Ash/MMBTU (max.):	_____	_____	_____
Moisture (max.):	_____ %	_____ %	_____ %
#Moist/MMBTU (max.):	_____	_____	_____
Grind (HGI) min.:			_____
Ash Fusion Tem. (°F Fluid, Reducing At.)	_____		
Volatile	_____ %		
Maximum Top Size	_____ "		
Maximum Fines (equal to or less than 1/4")			_____ %

Please include all three (3) specifications for first seven (7) items and Shipment Reject specification for Grind (HGI) and Maximum Fines. Monthly Average Guarantee specifications will be used for suspension purposes. Exceeding any of the Shipment Reject specifications could result in the rejection of that shipment.

COAL PROPOSAL FORM  
FOR ESCANABA COAL MADE TO  
CITY OF ESCANABA

Pricing Options:

(note that bids including delivery to Escanaba, MI may be given preference)

**OPTION 1:**

Pay in full upon delivery within 30 days of invoice.

Base Prices	F.O.B. <u>Mine</u>	F.O.B. <u>Vessel</u>	Delivered to <u>Escanaba, MI</u>
-------------	-----------------------	-------------------------	-------------------------------------

	\$ _____	\$ _____	\$ _____
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at \_\_\_\_\_  
(Great Lakes origin port)

Price Adjustment Mechanisms (coal quality based):

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**OPTION 2:**

Pay on monthly basis as coal is used by the 10<sup>th</sup> day of the following month.

Base Prices	F.O.B. <u>Mine</u>	F.O.B. <u>Vessel</u>	Delivered to <u>Escanaba, MI</u>
-------------	-----------------------	-------------------------	-------------------------------------

	\$ _____	\$ _____	\$ _____
--	----------	----------	----------

at \_\_\_\_\_  
(Great Lakes origin port)

Price Adjustment Mechanisms (coal quality based):

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